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World Economy & International Relations

No 10, October 1987

[Except where indicated otherwise in the table of contents, the following is a complete translation of the Russian-language monthly journal *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* published in Moscow by the Institute of World Economy and International Relations of the USSR Academy of Sciences.]

English Summary of Major Articles

18160002a Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian
No 10, Oct 87 (signed to press 15 Sep 87) pp 158-159

[Text] The article by N. Kapchenko "*Soviet Concept of Peace in the Light of Historical Experience of Great October*" focuses on the greatest event of the 20th century which heralded the beginning of a new epoch. The Great October initiated the development of society. The article shows not only the historical role of October but traces its internal causal links with the subsequent march of world development. It points out the paramount importance of Soviet international relations and foreign policy, with Marxism-Leninism as scientific base, the core of which is a class approach and revolutionary dialectics. The article traces the continuity of the Soviet policy which has nothing in common with a simple repetition of what has been done. Accuracy in assessing its own possibilities, restraint and a high sense of responsibility in taking decisions, firmness in upholding principles and stands, tactical flexibility, readiness for mutual acceptable compromises and orientation on dialogue and mutual understanding rather than on confrontation—such is the realistic and scientifically precise characteristic of the continuity of the Soviet foreign policy. At the same time the continuity of foreign policy is a purely class category, determining its social direction and essence. The article points out that perestroika and foreign policy dynamics are reflected in the main documents of the Soviet state and the CPSU Central Committee which confirm that the Great October still lives in the deeds of the country's life today. The article notes that the philosophy of peace on which the foreign policy of socialism is based determines the country's practical activity on the world arena. Hence is the struggle for humankind's survival, as the key issue of the foreign policy of the countries of socialism. The defensive military doctrine of the Warsaw Treaty is subordinated to the same task. The author concludes the article by stating that while considering Soviet political strategy and primarily the issue of war and peace, vital of today, through the prism of the Great October historical experience one is convinced that the course of peace, proclaimed 70 years ago is consistently and steadily carried out, enriched by tremendous experience of world-historic

importance. This experience is the material basis for deep theoretical conclusions and generalizations which the CPSU draws in carrying out the Soviet foreign policy under present conditions.

I. Ossadchaya in the article "Capitalist Countries' Change of Regulation Strategy" notes that in the 80s substantial changes have been taking place in the mechanism of state-monopoly regulation of the economy in developed capitalist countries. A new system of interrelations between state and capital, regulation and competition have taken shape. The aims and priorities of economic policy have changed. The state sector structure which took shape in the 50s-70s, enveloping many branches of industrial production, widening the redistribution of national income through monetary and fiscal systems and the ramified structure of normative regulation under the influence of certain objective economic and political factors is reshaping mainly on the basis of the conservative principles of state interference. Various changes in scale, forms and methods predetermined the changes in the nature of the ties between the state and economy. That is how the monopolist bourgeoisie reacted to the crisis of state economic regulation due to a sharp aggravation of reproduction conditions in the middle of the 70s. Their concrete forms are largely determined by present day science and technology progress and the expanding international interlacement of the economies of capitalist countries, laying new claims not only to economic policy but to the entire SMC mechanism. The author focuses on the contradictoriness of the extensive growth of the state apparatus itself and of its interference in the economy. He points out if of late special attention was paid to the state's positive influence on the economic process, experience shows how contradictory it is and how its various drawbacks in certain conditions can have serious negative effects, hindering economic development, demanding not further interference but rather an alteration of its forms and improved efficiency. The author believes that there is no "dismantling" of SMC. But substantial changes are taking place in the economic mechanism and the strategy of regulation in connection with deregulation privatization of certain spheres of the economy. Such changes are the result of quests for more rational and optimal, from the present day point of view demands of the STR and international economy, for a system of relations between state and private capital, centralized and private monopoly regulation. The author concludes the article by stating that monopoly capital in the course of reconstruction is seeking not only to limit forms of state interference and state expenditures, engendered by democratic forms or to give more freedom to the market and private business but to rationalize central regulation, raise its efficiency, flexibility and concentrate it on the decisive aspects of economic development.

E. Pozdnyakov in the article "*Balance of Economy and Policy in International Relations*" pays particular attention to one of the most important and controversial problems of the theory of international relations. The

principle task of the article is to show the primacy of policy over economy in the sphere of international economic relations. The author proceeds from the well-known Leninist concept that policy being a concentrated expression of economy cannot but dominate over the latter. The author corroborates his thought by an example from the practice of present day economic relations between states. In this connection the author criticizes the opinion of certain Soviet authors that international economic relations are a kind of "basis" for international political relations (relations among states included). The author believes that such a view is a simplified, uncritical application to international relations of the Marxist concept concerning the determining role of economy in the spirit of "economic materialism". The author points out that the economy is by no means a sum total of forms and branches of industrial production. Economy above all means social relations, which in their turn always represent interests; social interests always mean policy. Social interests, economic included, are realized only through policy and in the given process policy, as an active factor, subordinates these interests, transforming them in conformity with practical demands of life. The primacy of policy over economy, the author states, is particularly evident in foreign economic relations of states, which as a matter of fact entirely depend upon the vital political interests of states and mainly upon security, economic and political independence.

The article "*Neoclassical Theory of Production and Distribution*" by Yu. Kochevrin is a survey of the serial "Western Economic Thought". The publication of works by A. Marshall, A. Pigou, J. Robinson and others in Russian translation is a suitable event to evaluate anew the importance of neoclassical theory for modern economic thinking. The article makes a point on the necessity to differ the methodology of neoclassical analysis, the marginalist principle which is quite instrumental from the theory of marginal utility as an ideological foundation of economics, though in their historical context both of them were integral parts of neoclassical paradigm. Compared with the classical school the neoclassics changed an economic perspective from growth and development into statics and analyses of the so-called equilibrium conditions. Along with the idea of perfect competition as a way to welfare maximization a critical attitude towards it was developing which accentuated the so-called market failure. The more so monopoly, imperfect competition, externalities and the so-called benefits were the most obvious evidence of the latter. The neoclassical theory as a part of general progress in economic knowledge first of all plays an important role in the research of limits to economic growth owing to scarcity of resources. Historically this theory was not ideologically neutral. But the idea of price flexibility competition, resource allocation is productive and sensible under differing socio-economic conditions.

The aim of the article-dialogue by A. Dynkin and I. Tselishtchev "*Japan: Advances of Science and Technology and Organization of Economy*" is to acquaint the

reader with the results of their research work in Japan which represents theoretical and practical interest. The dialogue involves problems of scientific and technological policy, economic organization and evolution of business activity at the present stage of high/tech progress. Apart from studying such a development an attempt is made to compare it with the American model. The participants of the dialogue draw parallels while comparing the peculiarities of the high/tech potentials of Japan and the USA. The authors arrive at the conclusion that scientific and technological progress today, no matter where, is impossible without major changes in the economic organization. Methods of reorganization are not simple, the consequences are far from being simple too. Japan is by no means an exception, but, the authors believe, it provides many examples of effective adaptation to the present high/tech activities, environment, reproduction conditions, market demands. The authors note that a lot in the Japanese experience of economic organization reflects objective needs of productive forces development in any industrially developed country.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1987.

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October Revolution as Basis for Foreign Policy Consistency

18160002b Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 10, Oct 87 (signed to press 15 Sep 87) pp 3-12

[Article by N. Kapchenko: "The Soviet Concept of Peace in the Light of the Historical Experience of October"]

[Text] Great social revolutions are landmarks which determine the progressive course of the development of society and our civilization. October is considered with every justification the most outstanding event of the 20th century, which heralded the start of a new era in the life of mankind. Time has revealed in depth its permanent significance and disclosed the giant possibilities afforded by the path of socialist development. Our revolution determined in the main, cardinal features the character of the current century and, to a large extent, the most important, fundamental trends of world social progress for the more distant future also. The very nature of the revolution makes it possible not only to illuminate its historical role but also determine the profound inner causal connection with the subsequent course of world development and the events which mankind is experiencing in our time, seven decades on from October.

The world-historical role of the socialist revolution in Russia is manifested in all spheres of the life of present-day society. The revolution signified a fundamental turning point not only in the history of our country but in international relations also. Essentially it marked the beginning of the end of the old system of international

relations based on the principles of the strong's oppression of the weak and the domination and subordination inherent in the exploiter system.

Continuity Means Advancement

Seventy years of Soviet foreign policy provide colossal material and at the same time powerful impetus for profound reflection on the social content and significance of the international activity of the world's first socialist state and its impact, unique in terms of scale and consequences, both on the course of historical development as a whole and on the course of world events in each specific period. Granted all its distinctiveness, the sphere of international relations is subordinated to the effect of objective regularities. However, it would be naive to suppose that they have all been revealed and studied: after all, it is a question of a process which is constantly developing and discovering new features and qualities and which is complex and contradictory.

Marxism-Leninism has imparted to study of international relations and states' foreign policy a strict scientific basis, whose nucleus is formed by the class approach and revolutionary dialectics. When we attempt to draw a line of successive connection between the ideas of Lenin's Decree on Peace and the comprehensive program of the creation of an all-embracing system of international security advanced by the 27th CPSU Congress, the question naturally arises: is it permissible from the strictly scientific viewpoint to compare events and phenomena separated from one another by a huge temporal framework, particularly considering the truly immense amount of changes which have occurred? After all, it is essentially a question of different historical eras and of totally dissimilar situations.

Such a line of direct historical continuity is not, I believe, in the least contrived. The continuity of the international course of the socialist state means primarily the fundamental invariability of the noble and humane goals inherent in both its domestic and foreign policy—goals determining its very nature; it means devotion to the basic principles which determine the content of the foreign policy course, primarily those such as proletarian, socialist internationalism and the peaceful coexistence of states with different social systems. The continuity reflects the intrinsically dictated connection of the arterial directions of foreign policy presupposing a combination of profound fidelity to principles and their creative development.

A realistic and scientifically precise description of the content of continuity in the sphere of foreign policy is contained in the CPSU Central Committee Political Report to the 27th party congress: it "has nothing in common with a simple repetition of what has gone before, particularly in the approaches to accumulated problems. Particular precision in evaluations of inherent possibilities and forbearance and the highest responsibility at the time of decision-making are what are needed.

Firmness in upholding principles and positions, tactical flexibility, a readiness for mutually acceptable compromise and an orientation not toward confrontation but dialogue and mutual understanding are essential".

It is clear that continuity, creatively and not dogmatically understood, by no means amounts to continuity merely in respect of the foreign policy of the past. This very concept, if seen from the dialectical and not schematic viewpoint, undoubtedly also incorporates such an essential element as qualitative changes reflecting new realities of the world. Otherwise its content is deprived of the creative principle and becomes a cliché and shallow stereotype, which only impedes the realization of foreign policy goals. It is with regard for the qualitatively new features with which Soviet foreign policy has been inspired by the party's policy of a renewal of all aspects of the life of society which has been pursued since the April (1985) Plenum that it is necessary to examine and evaluate the very problem of the continuity of this policy at the current stage.

Continuity is a particularly class-based category since it ultimately determines the social focus of foreign policy and its content. Whence it logically ensues that class nature and class interest are the fundamental basis of the continuity of any policy. However, the root of the question lies in the purpose of the latter: it is here that the main divide between the continuity of socialist and imperialist foreign policy runs.

The Struggle for Peace—Official Doctrine

The attempts of the ideological-political opponents of communism to portray matters such that the Bolsheviks headed by V.I. Lenin, having gained state power, essentially had no foreign policy program and that it was formulated under the influence of circumstances and represented a simple response to the course of events were and remain completely groundless and, sometimes, deliberately slanderous. Both from the logical and historical viewpoints such views do not bear comparison with the facts.

The most important fundamental propositions of the founders of Marxism-Leninism pertaining to fundamental issues of the international policy of the proletariat are widely known. The following may, in summary form, be distinguished:

consideration thereof as a reflection of the interests of the class predominant in society;

proclamation as a goal of the foreign policy of the victorious proletariat of the exclusion from interstate relations of any manifestations of pressure, diktat and arbitrariness;

emphasis of the need for an end to be put to bloody conflicts unleashed by the exploiter classes in the name of the achievement of selfish goals; resolute and consistent struggle against militarism;

substantiation of the idea of the complete and unconditional equality of all countries and peoples and struggle against any type of national oppression and persecution.

Such are certain initial standpoints of Marxists concerning the sphere of international relations. Upon taking state power in October 1917 the Bolsheviks already had perfectly precise and clear ideas concerning the most cardinal aspects of foreign policy.

Lenin's Decree on Peace—the first legislative instrument of the worker-peasant state—began a new period in the history of contemporary international relations. Such a document is not born in a single night. It was possible to write it down in a single night, but the ideas contained therein had been achieved through suffering and verified by the long, agonizing course of preceding development. The scientific and theoretical foundation of the decree was the integral, profoundly considered, scientifically substantiated concept of struggle for peace and for the removal of wars as an inhuman means of settling international disputes. It may be said with every justification that the central idea determining this document's historic significance and its influence on international relations is the precisely formulated task therein of "mankind's deliverance from the horrors of war and its consequences" (1). This definition of the content and essence of international policy was the initial basis for a fundamentally new official foreign policy doctrine.

It was the Decree on Peace which formulated a proposition of a fundamental, long-term nature. "...We must help the peoples intervene in questions of war and peace" (2)—such was the primordial strategy of the Bolshevik Party, which has been developed and embodied throughout the subsequent foreign policy activity of the CPSU. This approach opened new routes to the solution of the problem of war and peace.

The singularities and nature of this era or the other also determine the content and thrust of diplomatic activity. In the pre-October period the peoples were assigned the role of cannon fodder in the bickering of imperialist powers attempting to divide the world among themselves and to weaken rivals. All the more necessary was it to emphatically break the vicious circle where one war prepared the ground for another—even more frightening and destructive—and where the vitally important question of war and peace was decided not only without the participation of the peoples but also contrary to their interests. The inclusion of the broad people's masses in the solution of this question was truly an event of world-historical significance. It led to a significant expansion of the social base of the antiwar movement.

Of course, it is a question not of a consummate movement but of the start of the process, tremendous in terms of its actual and, particularly, potential significance, of the active introduction of the peoples to the solution of questions of war and peace. Considerable time and effort will still be required for those who by their labor are creating the benefits of mankind to exert a decisive influence on international-political processes. However, the course of history has in the last seven decades revealed to a sufficient extent the effect of this regularity. The following essential singularity has been revealed also: the assertiveness of the movement to prevent war is growing in proportion to the growth of the military threat. The CPSU Program records with every justification the fact that under current conditions "the growing potential of the peace forces is being counterposed to the aggressive policy of imperialism. This means the active, consistently peaceable policy of the socialist states and their strengthening economic and defense might. This means the policy of the vast majority of Asian, African and Latin American states, which are vitally interested in the preservation of peace and an end to the arms race. This means the antiwar movements of the broadest people's masses on all continents, movements which have become a long-term and influential factor of social life. A sober consideration of the actual correlation of forces is also leading many politicians of capitalist states to an understanding of the danger of the continuation and expansion of the arms race".

Thus, granted all the differences in social and ideological and political positions and aspirations, the forces constituting in our time the potential of peace are united in what is the main thing—the endeavor to prevent war and ensure mankind's peaceful development. This is the common denominator embodying the interests of all peoples and interests common to all mankind.

The growth of the role of the people's masses in the solution of problems of war and peace should by no means be interpreted in the spirit that there is a simultaneous diminution in the significance of governments and diplomacy. On the contrary, under current conditions they bear unprecedented responsibility: they must fulfill the peoples' will to peace.

In the approach to all problems of world politics the position of the CPSU and the Soviet state is distinguished by a spirit of realism. This, naturally, is also expressed in policy in respect of the United States.

In advocating the development of Soviet-American relations in a spirit of cooperation and not confrontation, in a spirit of quest for mutually acceptable compromise, the Soviet Union proceeds from the fact that in the fundamental questions of war and peace the interests of both our peoples do not contradict one another but, on the contrary, coincide. It is not for us of fundamental significance which party is in power in the United States. In conversation with American teachers M.S. Gorbachev emphasized: "We will seek cooperation and movement

toward fruitful negotiations with any president and with any administration which the American people elect. This is the Americans' business whom they elect: a Democrat or Republican. We will, I repeat, cooperate with the administration which the American people entrusts with leadership of the country. And, I believe, it is necessary to act only thus in all cases. And the American side needs to act similarly" (3).

Perestroika and the Dynamism of Foreign Policy

Emphasizing the continuity of the domestic and foreign policy of the CPSU and the Soviet state, the party Central Committee observed in the address to the Soviet people in connection with the 70th anniversary of the Great October Socialist Revolution: "The Great October continues in our affairs today. Perestroika and essentially revolutionary creative work are developing in the country. The purpose thereof is an acceleration of the progress of the socialist society. The party's policy line—the line of the Central Committee April Plenum and the 27th CPSU Congress—expressing the will of the people, is geared to this" (4).

The strategy of renewal is a multilevel sociopolitical and societal phenomenon affecting all aspects of the life of the country. In the broad plane the interconnection of the processes of perestroika and foreign policy should be seen as a specific expression of the Leninist concept of the interconnection and interdependence of domestic and foreign policy. The effect of the fundamental Leninist proposition concerning the primacy of domestic policy and concerning the fact that foreign policy is its continuation is manifested as clearly as can be here.

It is by no means fortuitous that the policy of acceleration has coincided with a growth of the dynamism and an increase in the assertiveness of the USSR's foreign policy in all the arterial directions, the key one of which is consistent efforts aimed at curbing the arms race and preventing a world catastrophe.

The party's policy of renewal is of great international significance. Its implementation is strengthening considerably the positions of socialism in the economic competition of the two systems. Reflecting the peaceable aspirations of the Soviet Union, the policy of perestroika signifies, as it were, an offer to the other social system to transfer rivalry solely to the peaceful sphere and also to jointly undertake a search for solutions of the urgent problems of mankind. Particular significance and relevance are attached under current conditions to the well-known Leninist proposition that we will exert the main influence on the development of the world revolutionary process by our activity in the sphere of the economy. In other words, perestroika was born not only of our purely domestic requirements but also the demands dictated by the fact of the coexistence and competition of the two systems.

Perestroika in the USSR also has another essentially important international aspect. Abiding by the behests of V.I. Lenin and the ideas of the Great October, the Soviet state also consistently advocates a restructuring—in a spirit of democratization and equality—of international relations as a whole. This task is being put on the agenda by the very course of contemporary world development, and all countries, particularly those which experience to this extent or the other diktat and pressure on the part of forces of imperialist reaction, cannot fail to be interested in its accomplishment. And here also can be seen a direct line of successive connection with October, which for the first time in history transferred struggle for the democratization of international relations from the sphere of wishes to the sphere of practical policy. The history of struggle for the removal from international relations of each and every element of inequality, exploitation, coercion and diktat—a struggle which is being joined by increasingly new forces endeavoring to ensure that humane, truly human principles become in full universal principles and a law of the life of the world community—begins precisely with October.

The process of perestroika has made a big contribution to the debunking of the proposition of imperialist propaganda concerning the "aggressiveness" of the USSR. The fact that a country implementing such a far-reaching program of domestic transformations has a vital interest in peace and the preservation of international stability is of fundamental significance.

The changes which are taking place at the present time in our country are evoking the closest interest throughout the world. Particular attention is being paid to the question of how perestroika will influence the foreign policy of the Soviet state and what imprint it will leave on the development of international relations as a whole. The reaction to perestroika in different circles of the world community is dissimilar. Two main directions thereof may be distinguished as a whole. While recognizing the profound nature of the processes occurring in the Soviet Union, some people are questioning their positive impact on the course of international affairs. Others cleave to the viewpoint that perestroika cannot fail to be reflected in a positive manner in the USSR's foreign policy also and that it will broaden the scale of its cooperation with Western countries and contribute to the more effective search for ways to solve the problems confronting the world community—both global and regional. There is also, of course, a multitude of various nuances in standpoints on this question.

Reactionary circles in the West are not hiding their serious concern in connection with the cleansing processes occurring in our country. Naturally, they are disturbed primarily by the very policy of acceleration of the economic and social development of the socialist society. Thus R. Kaiser, a commentator of the *Washington Post*, complains that "the new policy of glasnost and the call for restructuring is a policy aimed at revitalizing the system and not an acknowledgment of its failure" (5).

True, the same R. Kaiser has sufficient commonsense to take a dig at his own side when he affirms: "We have made huge psychological investments in the creation of a model of the cold war as the ultimate instrument for solving disputes between the two irreconcilable giants. This model has dominated American policy since the time of McCarthy, if not before" (6).

Of course, those who believe that the process of transformations being implemented in the Soviet Union could rattle the foundations of the socialist system and "reform" Soviet policy, foreign policy included, in the desired direction for the West's ruling circles are profoundly mistaken. No less in error are those who are counting on winning concessions from the USSR by way of continuous pressure on it. Life has laid bare many times over the groundlessness and most complete futility of such hopes, which could rather be called "illusions of historic proportions". Realistic circles in the West have a sufficiently clear understanding of this. For example, H. Schaefer, an executive of the FRG's foreign policy department, observed: "While setting historic milestones, but not departing here from the main communist track, the Soviet leadership intends accelerating technical progress and strengthening economic growth. A squandering of forces by means of foreign policy confrontation is by no means inscribed here. Everything that conserves strength is needed here: steps toward tranquility on the foreign front and in the direction of disarmament and cooperation with the West. It is essential for this to free the Soviet economy from the burden of the arms race."

Representatives of the circles in the West which are demonstrating an impartial approach to the Soviet Union recognize that clinging to hard-set clichés is particularly pointless now and that it is necessary to look anew at the policy of our country and see therein the sincere aspiration to a search for a solution of urgent international problems, primarily the problem of ensuring general security on a just basis. Highly significant in this respect is the opinion of the well-known FRG politician H. Ehmke, who writes in the American *World Policy Journal* that the policy of a Soviet leadership "which is oriented toward reforms" and is, "to all appearances devoted to progress in the sphere of arms control and disarmament" is bringing the world closer "to demilitarization of the East-West conflict and its transformation into peaceful rivalry."

Philosophy of Peace—Basis of the New Political Thinking

All the vicissitudes of the complex and manifold development of international relations in the past seven decades have been permeated by the policy of the CPSU and the Soviet state aimed at ensuring peace and creating a stable system of international security. The philosophy of peace at the basis of the foreign policy of socialism determines the entire practical activity of the Soviet Union in the world arena and each direction thereof. The

party program sets forth clearly the high-minded position on the fundamental issue of the present day: "The CPSU proceeds from the fact that however great the threat to peace created by the policy of aggressive imperialist circles, **world war is not a fatal inevitability. Preventing war and saving mankind from catastrophe is possible. This is the historic mission of socialism and all progressive, peace-loving forces of our planet**".

This is why the pivot of the socialist countries' foreign policy under present conditions is active struggle for the preservation of civilization and, essentially, for the survival of mankind. This struggle, which has nothing in common with a slide toward pacifism, implies an emphatic rebuff of every conceivable hankering on the part of the forces of aggression and reaction and the utmost strengthening of the socialist countries' defense potential. The current military-strategic parity has become the decisive factor of the prevention of war—both nuclear and conventional. It is to this task that the defensive military doctrine of the Warsaw Pact states, which stress that they "do not link their future with a military solution of international problems" but "advocate the solution of all contentious international questions merely peacefully, by political means" (7), is subordinated also.

The socialist states' defensive military strategy ensues directly from the philosophy of peace based both on a consideration of the fact of the fundamental contrast of the two social systems and the fact that the modern world is characterized not only by contradictoriness but also wholeness and interdependence. This dialectical interconnection contains, as a matter of fact, the objective basis for a joint search for ways of preventing a nuclear catastrophe.

On the basis of a realistic analysis of the situation which has taken shape in the world and guided by the most important propositions of Marxist-Leninist science, the CPSU has provided a precise theoretical substantiation of the priorities of its foreign policy activity. Fundamental significance is attached to the creative elaboration of the question of the correlation between class interests and those common to all mankind in respect of contemporary conditions. This question is not only of theoretical but also most important practical interest from the viewpoint of the formulation of foreign policy strategy for the long term. The party has revived the truly scientific understanding of the correlation between class interests and those common to all mankind, having cast aside the scholastic, narrow interpretation of class interests imbued with a spirit of dogmatism. It relied here on the Marxist-Leninist understanding of this question and V.I. Lenin's instruction that "...from the viewpoint of the basic ideas of Marxism the interests of social development are higher than the interests of the proletariat—the interests of the entire workers movement as a whole are higher than the interests of an individual stratum of the workers or individual aspects of the movement..." (8).

It is by no means a question of a counterpoise or clash of the interests of social development and the interests of the proletariat, but of the order of priority and subordination. The very logic of history suggests that the fundamental interests of the working class lie in the channel of the arterial direction of the development of mankind. It was of such organic unity that the founders of Marxism-Leninism wrote.

There is now no more important task, from the viewpoint of the class interests of the proletariat included, than struggle for the removal of the very possibility of nuclear catastrophe. In the dogmatic understanding such a formulation of the question represents virtually a transition to positions of pacifism. Creatively understood, however, it is the truly class-based, genuinely revolutionary approach.

In advocating that the new political thinking be made the basis of the solution of key problems of the present day, primarily nuclear disarmament, the Soviet Union proceeds from the fact that objective preconditions exist in the world for the propitious solution of these problems. It is important to display political will and get rid of the burden of prejudices preventing the sides understanding one another.

Of course, formulation of the new political thinking takes time, and all the more complex and prolonged are the translation of such thinking into the language of practical action and its realization in specific accords between states with different social systems. At the same time life itself is leading our Western partners to a gradual recognition of the need to use political and not military means for the solution of the historical dispute between the two social systems. This is undoubtedly pronounced headway and a positive fact of considerable significance.

However, there is not as yet any tangible evidence that the West has consigned to the garbage dump of history the "from-a-position-of-strength" policy and abandoned the outmoded postulates of the cold war period. After all, it would occur to nobody to seriously maintain, say, that the notorious "nuclear deterrence" concept, which is upheld with such doggedness by the United States and NATO, could be combined with the demands for new political thinking. On the contrary, this concept expresses from start to finish devotion to an outdated way of thinking incompatible with the demands of the times.

Trust as Against the 'Image of the Enemy'

There is currently lively discussion in the West of the question of whether it is possible to build peaceful and good-neighbor relations with the Soviet Union given the lack of the necessary degree of trust in international affairs. There is frequent reference here to the fact that the difference and, at times, acute discrepancy in the interests of the states of the two systems are, it is said, an

insurmountable obstacle to the development between them of normal, correct relations based on mutual respect and regard for one another's legitimate interests.

Of course, the opposite nature of the social systems of the United States and the USSR, for example, is an indisputable fact. But there by no means follows from this the inevitability of military confrontation between them. We shall refer in this connection to a pronouncement of W. Lippmann, patriarch of American journalism and subtle political analyst, who, disputing the concept of the "containment" of the Soviet Union put forward by G. Kennan, wrote at the dawn of the cold war: "The history of diplomacy is the history of relations between rival powers which have not felt political proximity toward one another and have not experienced an attraction to common goals. Nonetheless, a solution of problems has been found.... For a diplomat to think that rival and unfriendly powers are incapable of reaching agreements means to forget the very essence of diplomacy. There would be little for diplomats to do if the world consisted only of partners which experience political proximity toward one another and feel an attraction to common goals" (9). An entirely realistic and convincing evaluation.

The Soviet Union and other socialist community countries consistently advocate a genuine spirit of trust being established in relations between all states and the emphatic surmounting of confrontational trends. The communique of the Warsaw Pact Political Consultative Committee meeting in 28-29 May 1987 in Berlin specially emphasizes: "The interests of peace and the creation of a climate of trust and mutual respect and friendship between peoples demand an end to the policy of hostility between them and all attempts to implant anticommunism, preach racism, employ any forms of discrimination and spread chauvinist and nationalist propositions".

The surmounting of the "image of the enemy" artificially created by Western propaganda is of fundamental significance in the plane of the creation and consolidation of trust. This tag is in terms of age, it may be said, the coeval of the October Revolution: it was after it was accomplished that imperialism in the shape of its most reactionary circles adopted the knowingly fraudulent postulate according to which the Soviet state is by its very nature hostile to the rest of the world and aspires to forcibly impose its social system and ideals on other countries. This has served as a nutrient medium for the myth concerning our state as the "enemy". Whence the inventions concerning "red militarism" and its "aggressive aspirations" and the imaginary "disregard of the Soviets" for the rules of international law.

Back at the dawn of Soviet power V.I. Lenin revealed the true content and political purpose of the propaganda campaign against so-called "red militarism". He wrote in 1919: "There are foolish people shouting about red militarism; these are political rogues who are pretending

that they believe this absurdity and are hurling such accusations right and left, availing themselves for this of their lawyer's ability to concoct false arguments and cloud the vision of the masses.... I repeat, these are either fools beyond political evaluation or political rogues" (10). In seven decades the arsenal of propaganda weapons employed in the struggle against the Soviet Union and its foreign policy has expanded considerably, of course, but the utterly fraudulent charge of "red militarism" remains—albeit in modified forms—a cornerstone in the edifice of "psychological warfare" against the USSR.

At the present time this "psychological warfare" has acquired global proportions. The essence of our foreign policy, the nature of our ideology and our goals in the international arena are being maliciously distorted. We shall refer for an example to a method recurring constantly in bourgeois propaganda. Many American mass media systematically instill in their readers and audience the idea that the Soviet Union is intent on "wiping out freedom in the world" and "eliminating by force" the social system which exists in the United States. In the interests of truth our political and ideological adversaries might be reminded that approximately seven decades ago it was none other than W. Churchill, a leader of the capitalist world, who not simply proclaimed as a slogan but made the content of actual policy the proposition concerning the "strangling of Bolshevism at birth". Western propaganda has never stressed attention to this for some reason or other. To work with the true historical facts, on the other hand, it becomes obvious that it has been from the leaders of the imperialist powers that not only have calls been issued but direct attempts undertaken to forcibly do away with the Soviet social system and "bury communism on the garbage heap of history". The U.S. President's words concerning the Soviet Union as the "evil empire" may also be recalled in this connection.

But the main thing now is to construct relations between states such that there really be buried the "image of the enemy," which is dangerous for the cause of peace and is impeding the development of normal relations between the two states. It is highly significant that the author of the "containment" concept, G. Kennan, deemed it necessary in the mid-1980's to revise its basic postulates and with a sense of responsibility and realism to observe: "It is said that the Soviet Union cannot be trusted. If the United States truly believes this, let us investigate together why not. What reasons and arguments have engendered the basis for such distrust? Let us calmly recall, without unnecessary polemics and emotions drowning out the voice of reason, the history of our countries and our mutual relations and ascertain the perplexity and misunderstanding if they exist. And in concert also whether a mountain is not frequently made of a molehill here. And if so, and from our viewpoint this is precisely the case, again to who's benefit and why? What can and should be done to put an end to this worthless practice?" (12)

Studying the foreign policy practice of the strategy of the CPSU and the Soviet state, primarily its position on the fundamental issue of the present day—the question of war and peace—through the prism of the historical experience of the Great October, one is clearly persuaded that the policy of peace proclaimed seven decades ago has been put into practice consistently and unswervingly, being enriched by experience of world-historical significance. This experience is the basis for the profound theoretical conclusions and generalizations being made by our party. The organic synthesis of theory and practice is a characteristic feature of the foreign policy activity of the CPSU. And in the year of celebration of the splendid anniversary the Soviet Union's role in that noble fight being fought by the peoples of the world against the danger of war and for the survival of mankind can be seen particularly clearly.

Footnotes

1. V.I. Lenin, "Complete Works," vol 35, p 16.
2. Ibid.
3. *Pravda*, 8 August 1987.
4. *Pravda*, 14 March 1987.
5. *Foreign Affairs*, Winter 1986/87, p 244.
6. Ibid., p 251.
7. *Pravda*, 30 May 1987.
8. V.I. Lenin, "Complete Works," vol 4, p 220.
9. *Foreign Affairs*, Spring 1987, p 882. The issue carries a number of articles (including one of W. Lippmann written in 1947 and also an article by the author of the "containment" concept, G. Kennan, written in 1985) which analyze—from the viewpoint of both the future and retrospectively—the entire set of problems connected with this concept and, in general, with the principles of American foreign policy in respect of the Soviet Union.
10. V.I. Lenin, "Complete Works," vol 38, pp 50-51.
11. *Foreign Affairs*, Spring 1987, p 890.
12. *Kommunist* No 7, 1987, p 8.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1987.

Primacy of Politics Over Economics Stated

18160002c Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 10, Oct 87 (signed to press 15 Sep 87) pp 28-41

[Article by E. Pozdnyakov: "Interconnection of Economics and Politics in Interstate Relations"]

[Text] Among the theoretical problems of the study of international relations that of the correlation of economics and politics is not only one of the most important but also, probably, most complex. It accumulates many other theoretical problems, and the solution of more specific questions depends to a considerable extent on its solution. Particular significance is attached to it today, in our complex time, which is rich in events, a time of the rapidly growing interdependence of states in all spheres of relations—political, economic, military-political and so forth.

What is the interconnection of these relations, are they equivalent or is there an order of subordination between them and can a sufficiently precise and substantiated scale of priorities be ascertained here?

It has to be acknowledged that as yet not only is there no clear answer to these questions but, on the contrary, highly contradictory and, at times, simply opposite viewpoints are expressed. Economists, seemingly, are not in the least doubt as to the priority of economic relations and unhesitatingly give pride of place in the hierarchy of international relations to economics. Studies in the military-strategic sphere, which are rapidly gaining momentum, prove with no less assurance at times the primacy of military-strategic relations. What, then, is left for politics proper? Has it not thereby been prepared the role of lackey of the first two types of relations and would it not be better to acknowledge right away, without more ado, its secondary, "auxiliary" role in view of the vagueness, changeability and ambiguity which are attributed to it and which are particularly apparent in the face of the seeming permanence of economic or military-strategic relations within the framework of strict tables and numerical computations?

Ordinary commonsense would seemingly suggest that we operate precisely thus. But remembering Engels' words to the effect that in science commonsense is not the best assistant, let us turn for elucidation of the question to stricter scientific analysis.

I

The problem of the correlation of economics and politics is confined in this context to interstate relations. There are reasons for this narrowing of the sphere of attention, which are mainly of a research nature. International relations taken as a whole are a truly boundless sphere: states, alliances thereof, numerous governmental and nongovernmental organizations, corporations and firms and individuals operate therein; various interests—political, economic, ideological, military-political and so

forth—clash, overflow and interact therein. The separation of a comparatively limited sphere for study will enable us to stay afloat in this boundless ocean of international life. In addition, relations between states appear in the most exposed form, so to speak, and it is easier here to discover singularities of the correlation of economics and politics. And, finally, the state is the spokesman for nations' sovereign rights in the world arena. As such, it acts as an independent subject in all spheres of international relations, world-economic relations included. In the latter case it personifies the sovereign, supreme proprietor of national resources. The principal singularity of the state is that in whatever sphere of international relations it acts, always and everywhere it operates as a political subject, which is inherent in its nature as a political organization with its inalienable attribute—political activity. Noting the political nature of the state, as, equally, the sum total of relationships which it establishes, K. Marx and F. Engels wrote: "Since the state is the form in which individuals belonging to the ruling class exercise their common interests... it follows from this that all common institutions are mediated by the state and acquire political form" (1).

But these "common institutions" are mediated by the state not only within but also outside it, in its relations with other states, as a consequence of which all of them also acquire political form. This proposition is, we believe, of fundamental importance, and without understanding it it is difficult to understand also the essence of the question of the correlation of economics and politics in the sphere of interstate relations.

A cliché which took shape long since in our literature, in particular, prevents a correct understanding thereof: the idea of international relations as some aggregate of political, economic, military, legal, ideological and other ties (2). Given this approach, each of the signified types of relations exists independently, as it were: economic separately from political, military also separately from political and even ideological separately from political; political relations themselves, however, appear here in it is not known what form. Inasmuch as it is acknowledged that there exist separately between states **political** and **economic** relations, it is not far from here to the conclusion that the latter represent the basis for the former.

Such a view of things would seem simplistic. It is due to a large extent not only to a nonsystemic understanding of international relations as a sum total of autonomous ties but also to a not entirely accurate understanding of the nature of economic relations between states. We will address this. However, before dwelling in more detail on the question of what is understood by "economic relations" between states and what their place and role are throughout the system of relations between them it is essential, it would appear, to elucidate what in general is meant by the term "economics" and what is understood by it in the system of relations between states, specifically, is it a question in this case of economics as the sum

total of production relations or, on the other hand, of states' managerial-economic relations, of the trade in commodities between them or of their foreign economic policy? Obviously, all these things are different, and, consequently, their relationship to politics is different, and vice versa.

For the purpose of introducing greater clarity it would seem necessary to draw a line immediately between the two general meanings of the concept of "economics"—as the sum total of production relations or the economic basis of society and as the managerial-economic relations arising from the functioning and development of various types and sectors of material production—industry, agriculture, transport, construction, trade and so forth—and the nonproduction sphere—education, health care and so forth. As distinct from production (base) relations, managerial-economic ties (relations) express the specific economic mechanism via which the given production mode manifests itself.

Depending on the sense in which the concept of the economy is employed, the singularities of the correlation of the latter with the policy of a state are determined. In the general plane the correlation of the economy in the meaning of economic basis with policy as a most important part of its superstructure amounts to the well-known proposition of historical materialism concerning the fact that the economy ultimately determines policy.

The correlation of policy with the economy in its second meaning, in the managerial-economic meaning, is a different matter: **policy here, as the concentrated expression of the economy, cannot fail to take pride of place over managerial-economic relations** (3). And this is valid with reference not only to the system of internal socioeconomic relations but to an even greater extent to international relations. Having ascertained and separated here base socioeconomic relations from managerial-economic relations, it is thereby possible to put on a stricter footing the investigation and solution of the question concerning the correlation of economics and politics in the sphere of interstate relations.

Consequently, it is a question in the broadest plane of the accomplishment of two interconnected tasks: definition of the systems of international base socioeconomic relations and international managerial-economic relations; then ascertainment of the nature of the correlation of both with political relations, the expression of which is the system of interstate relations. Let us begin with managerial-economic relations.

International managerial-economic ties may be examined in two most general aspects: as managerial-economic relations **between** states and as a certain system of world-economic ties. What it is usually customary to call foreign economic (foreign trade) relations between states are by nature the same managerial-economic relations, but continued beyond the confines of national borders. States establish them with one another for different

purposes, whether it be the encouragement of the development of their own economy, its protection against outside competition, assured sales or raw material markets, the development of relations of mutually profitable cooperation and so forth. Whatever these purposes, however, they are always **political**, and the state realizes them via its foreign economic policy, using various means for this, economic included. This aspect of managerial-economic relations between states expressed in their foreign economic policy we shall call subjective.

Let us turn to the other aspect. As a consequence of states' realization of their foreign economic policy with the aid of economic means and also as the result of the economic activity in the international arena of various companies, banks and so forth there is formed a certain system of foreign economic relations or, in other words, a system of world-economic relations embodying the picture of world imports and exports: types of commodities, services, capital investments and economic assistance, their distribution by country and region, their main directions and flows, dynamics of movement in time and space and so forth. As the resultant of the foreign economic activity of states and also private firms in a certain period of time, this system of world-economic relations is objective in relation to states' foreign economic policy and, as such, is counterposed to it. This aspect of international managerial-economic relations we shall call objective.

Two questions arise here: first, what is meant by a state's foreign economic policy and what is the correlation therein of the economic and political aspects; second, what are the nature and character of the correlation and interaction of the subjective and objective aspects and is there an order of their subordination and the priority of one over the other?

The foreign economic policy of a state seen as practical foreign economic activity is a **direction** of its foreign policy activity in general. It is important to emphasize this point to avoid any ambiguities and exaggerated evaluations. However significant for a state its foreign economic activity, it is nonetheless confined to the sphere of its foreign economic interests and cannot therefore be an expression of a state's general political interests and goals on the world scene, the less so when it is a question of states which are actively involved in world politics.

In the concept of a state's practical policy, including foreign economic policy expressing and upholding its corresponding interests, two features are inseparably combined: that of the end and that of the means. A state's interests in the world arena are realized via political ends and a system of means serving the realization of these ends. Whatever these means—military, economic, diplomatic—they are always means in the hands of the state for its achievement of its political ends, and separating the one and the other would be wrong: they are indivisible, and one without the other

loses real meaning. That the ends and means do not always correspond to one another is another matter: political ends, say, could be realized by unsuitable, inadequate means, but this is another question altogether. In any event, however, whatever the means are in themselves, in relation to the political end they always remain means and cannot fail for this reason to be dependent on it. Although it has to be acknowledged that in their day-to-day interaction there may also not be the unequivocal dependence of the means on policy—the means at times escape the control of policy and within certain limits determine it. In addition, the means themselves and their development and improvement frequently become a principal purpose of policy. In this case the influence of the means on policy increases. It is most pronounced in the sphere of the interaction of practical policy and military means, particularly modern nuclear weapons, which exert thereon a highly palpable reverse influence. To a greater or lesser extent this nature of interaction is typical of the correlation of policy and other means, economic included, also.

A kind of "optical illusion" could arise on this basis: the power of the means employed by a state eclipses, as it were, the policy behind them, as a consequence of which the latter begins to appear somehow unstable, ambiguous and unimportant, whereas the means, on the other hand, acquire exaggerated scale and significance. Such an "optical illusion" in scientific research leads to a distortion of reality and its incorrect interpretation, and in practical policy, to a dangerous self-deception by the power of the means.

However, we repeat, however significant the impact of means on policy are at times, they are, nonetheless, subordinate to it. Were this not the case, it would be necessary to say goodbye forever not only to the hope of complete nuclear disarmament but also a partial arms limitation. In fact, missiles are not created of their own accord merely as a consequence of the simple "logic" of the development of military technology, just as they are not deployed of their own accord in various parts of the world. Both are the result of states' policy, which is itself determined to a considerable extent by the political relations which have taken shape between them. This level of arms or the other is a direct **consequence** of the corresponding policy of states and political relations between them. In order, consequently, to remove the consequence it is necessary to start by removing the causes which led to this consequence. The causes, however, are always political and cannot be other otherwise.

The negotiations being conducted currently between the USSR and the United States on a dual "zero option" concerning the complete elimination of INF and operational-tactical weapons not only confirm yet again the idea concerning the priority of policy in all spheres of states' relations, primarily in the sphere of military-strategic relations, but also emphasize the need in our time for new political approaches and new political

thinking capable of overcoming the dangerous inertia in the development of military weapons and political thought which is hypnotized by them.

As far as economic means and the ideas concerning their self-sufficient and even determining nature in relation to policy are concerned, such a view of matters was partially connected with the fact that in the 20th century an unprecedentedly large place in states' policy in the international arena has been occupied by foreign economic ends realized, furthermore, by diverse economic means of protection, pressure, intimidation and expansion. This fact advanced wittingly or unwittingly to the forefront in relations between states the "economic" feature, contributed to a certain extent to its absolutization and at the same time, on the other hand, overshadowed the fact that foreign economic ends are by nature political and that the means employed by the state here are nothing other than means of realizing these political ends. Those same customs, trade and other diverse foreign economic "wars" which have in recent years become a customary phenomenon in interimperialist relations, although they have been fought under economic slogans, have in practice been political "wars". They are nothing other than a continuation of states' foreign economic policy realized only not by diplomatic and not military but predominantly economic means.

V.I. Lenin emphasized, in particular, in "Notebooks on Imperialism" that "the export of capital is a means for foreign policy ends, and its successes depend, in turn, on foreign policy.... Britain and France, the two biggest world creditor powers, are **political** bankers. The state and the banking world operate here as **one person**" (4).

Economic relations between states are, consequently, the same political relations, but established in the interests of the development of the national economy. However, their role is by no means confined to this. Frequently, particularly in our time, they are used by certain imperialist states as an independent means also, specifically, for exerting political pressure on other countries for the purpose of coercing them into this political concession or the other.

Let us turn to the second question concerning the nature and character of the correlation of the subjective and objective aspects of international economic relations or the correlation of states' foreign economic policy and the system of world-economic relations. The latter, as the objective result of states' foreign economic activity over a certain period of time, influences in one way or another their foreign economic interests and prompts the formulation of the corresponding foreign economic policy and the use of this foreign economic means or the other.

In turn, states' foreign economic policy, embodied via the corresponding economic means in practical foreign economic activity, influences the structure of world-economic relations, bringing about changes therein.

Foreign economic policy and the structure of the world-economic relations are in practice also in such a continuous process of interaction and interconditionality. The role of this or the other in relation to one another may change depending on circumstances and the economic conditions taking shape. Given some specific conditions, the foreign policy activity of individual states could have a certain impact on changes in the system of world-economic relations, given others, on the contrary, the system of world-economic relations could have a certain impact on changes in states' foreign economic policy. In other words, the system of world-economic relations is an external factor influencing changes in states' policy—a factor, but far from the sole one. A state's policy in the world arena as a whole is determined by many other factors also (both internal and external), an analysis of which goes beyond the framework of this article.

On the basis of what has been said we not only do not share the opinion current among some experts that international economic relations are the economic basis above which international political relations (interstate included) tower as a superstructure (5), but regard it as the simplistic, mechanical transference to international relations of the Marxist proposition concerning the determining role of the economy distorting the true nature of the correlation of international political and international economic relations.

Given this approach, international managerial-economic (foreign economic) ties and relations are mistakenly taken as production, base relations determining policy, whereas in practice everything is somewhat different: policy plays a determining part in the establishment of foreign economic ties between states. The development of the latter depends, as a rule, on political relations in the world arena, which are more important, more essential and more significant for states, namely, on relations affecting security, political or economic independence and states' traditional place and role in the system of relations between them. And this is confirmed not only by theory but the entire practice of interstate relations. Depending on the state of external security, the actual conditions taking shape in the system of interstate relations and the nature of relations with other countries, a state may either develop economic relations with them extensively or reduce them to a minimum. The derived, subordinate nature of the latter can easily be seen in instances well known in international practice of individual countries, guided by interests of security or defense of their political or economic independence, for a greater or lesser period of time winding down foreign economic ties and relations altogether; in the event of a change, on the other hand, in the international or domestic situation, these relations have comparatively easily been reestablished or restored. Many other examples well known in the practice of interstate relations of states incurring manifest losses at the time of the purchase or sale of their commodities on the world market, if political considerations demand this, may be adduced also.

What has been said should not be understood as belittling the significance for states of foreign economic relations—they are frequently for them of truly vital importance. This is all the more so in our time, a time of the growing internationalization of production and economic interdependence. However, no matter how significant for a state these relations, they are in any event subordinate to its political interests and are determined by them.

It would, of course, be an oversimplification to regard each foreign economic or foreign trade act of a state as political. Many such acts are usually exercised within the channel of foreign economic policy which has already been coordinated by states and which is being realized in practice. Within its framework individual foreign trade or foreign economic acts may also not be of a manifestly expressed political nature (although may be also) but be, so to speak, "purely" foreign economic or foreign trade transactions. A distinction needs to be made here, we believe, between the political essence of any foreign economic act of a state as a means of realizing its foreign economic policy and what may be called the "technical" aspect of this realization. Such a distinction is characteristic of all other means of a state's foreign policy activity also. It may be maintained by analogy that a diplomatic action also may have its political and "technical" aspects expressed in the procedure and rules of diplomatic protocol. In the event of the use of military means also: their use in interstate relations is in principle a political act; the direct realization of these means, on the other hand, is of a purely military, "technical" nature.

The "economic" aspect of any specific foreign economic act is thus contained in the means with which it is realized—it could be the import or export of goods or services, import or export of capital, economic assistance and such. The choice of means of policy itself, on the other hand, is conditioned in each specific instance by the internal and external circumstances which have taken shape and the interests of the state: in addition to economic they could be, as is known, military, diplomatic and ideological means. Under certain conditions the means of policy could be, for example, military force, from which it would be very rash to conclude that the act of a state involving the use of military means was "purely" military and not political. On the contrary, given all conditions, it would always be a political act, but realized by military means.

But policy is always an unseen presence even behind the "technical" aspect of the state's realization of this external action or the other. Where and when some interests of the state are affected, any action thereof, even external and not, seemingly, of a political nature, is thereupon politicized. The extent to which individual "purely" foreign economic or foreign trade actions of a state are connected with policy may easily be seen in the example of the instances in the practice of interstate relations where these actions are employed by one side as discriminatory measures in respect of the other. In these cases

their underlying political motive and their connection with the policy of the state are revealed at once. They themselves frequently serve here as an argument for an energetic foreign policy demarche: an official protest, retaliatory discriminatory measures, a halt to or suspension of other ties and relations, the arousing of public opinion and so forth—this is a far from complete list of the purely political means and measures to which a state resorts when even its comparatively partial economic interests, not to mention more important interests, are affected.

II

Foreign economic relations (in both their subjective and objective expression) are not thus the basis of international political relations. But the question then naturally arises: what is their basis and is there such at all? The answer to this question confronts us with the need for if only a brief elucidation of the nature of the correlation of the system of interstate relations, as a system of foreign policy relations, with other processes and phenomena of international relations.

System of interstate relations is a narrower concept than international relations as a whole, which incorporate diverse phenomena and processes of world socioeconomic relations in their interconnection, interdependence and interaction: various social formations and the contradictions engendered by their interaction, such economic processes as the internationalization of production, integration and so forth.

All these processes and phenomena do not pertain directly to the system of interstate foreign policy relations, and for this reason such categories and concepts as system of socialism, system of capitalism, the national liberation movement, the developing countries and the world market also are not, strictly speaking, categories and concepts of the system of interstate relations.

The system of interstate relations as a system of political relations really belongs to the sphere of superstructural relations. The basis of the qualitative changes therein are changes in the mode of production and correlation and alignment of the main social forces in the world. However, the real basis on which the system of foreign policy interstate relations towers up as a superstructure are world socioeconomic relations and not simply international managerial-economic relations representing merely a derivative of socioeconomic relations. The latter are therefore base relations, which express on a world scale the correlation of different modes of production. In each historical era world socioeconomic relations represent a system of various social and economic formations in their interaction, mutual influence, confrontation, development and change. For each era they engender their particular groups of contradictions which are the driving forces of the development of international sociopolitical processes, in interstate relations included. In the modern era this system unites two opposite social

and economic formations—socialism and capitalism—the contradiction between which has an appreciable impact on the system of relations between states.

World socioeconomic relations influence interstate relations via the socioeconomic nature of the states. This nature is the attribute which determines on the one hand a state's membership of this social and economic formation or the other and thereby of the system of world socioeconomic relations and, on the other, the essence of its foreign policy activity and exerts via it an influence on the system of interstate foreign policy relations and the political processes occurring therein.

The interaction of world socioeconomic relations and interstate relations is subordinated to the general principles of interaction of basis and superstructure: the system of world socioeconomic relations ultimately determines the development of the system of interstate relations; the latter possesses relative independence here of world socioeconomic relations; it develops and functions also in accordance with the specific systemic regularities inherent in it itself, which are by no means a direct reflection of the regularities of the basis.

In present-day international relations the nature of this interaction as a consequence of the conversion of international relations into truly worldwide relations and the increased interconnection and growth of the interdependence of various world socioeconomic and political processes is complex and contradictory. World socioeconomic relations interweave and intersect closely with political, interstate relations: base phenomena have an appreciable impact on states' policy, and through their foreign policy activity, on the entire system of interstate relations; in turn, processes within the framework of the system of interstate relations connected with the change in the correlation of forces therein, the development of conflict situations and an exacerbation or easing of tension in relations between states influence via the feedback mechanism base relations.

To illustrate what has been said we shall examine briefly the correlation of economics and politics in the example of international integration processes inasmuch as it is here, we believe, that the close interconnection and at the same time distinction between base and superstructural phenomena, between states' foreign economic policy and world-economic (international-economic) relations, is manifested mostly visibly. We shall distinguish primarily between two phenomena which are frequently confused: economic integration and the trend toward internationalization of production relations. The trend toward the internationalization of production is an objective process in the base system of world socioeconomic relations, whereas economic integration is a **form** of expression of the first in the sphere of interstate relations, that is, in the sphere of political relations. The mechanism of the connection and correlation of these two phenomena may be portrayed as follows: the trend

toward the internationalization of production engenders the corresponding objective requirements; these requirements sooner or later, to a greater or lesser extent are recognized by people and are expressed in the form of states' specific political interests (in this case, foreign economic interests). These interests, in turn, determine its foreign policy activity in the given specific direction. And, furthermore, the latter expresses economic requirements by no means straightforwardly: it is modified and adjusted by various conditions of the system of relations in which it is directly realized, namely, the system of interstate relations—by the correlation of forces therein, the intensity and seriousness of the contradictions between states, the effect of the subjective factor and so forth—so that ultimately states' foreign policy activity in the direction of economic integration may at some stages not only fail to correspond to the objective trend toward internationalization but even contradict it. The history of the creation of the EEC is an excellent illustration of this.

"Integration policy," of course, sooner or later, more or less successfully, is realized in various integration alliances or groupings of states. However, these alliances and groupings may be termed "economic" only conditionally: the economic aspect is expressed here in the fact that the political activity of the states joining alliances is geared predominantly and directly to the foreign policy regulation of a certain set of their foreign economic interests connected with the integration of this sector of the economy or the other and not, say, military-strategic, ideological, cultural or any other interests.

Despite its economic "signboard," the European Community thus in practice represents a **political alliance** of states whose purpose is to encourage the development of the integration of certain sectors of the economy and the regulation of a whole complex of mutual managerial-economic relations. The EC is a phenomenon of the system of interstate relations and is a consequence of the "integration policy" of the West European states and simultaneously an object of their foreign policy activity. Created originally as an alliance of states with the limited political aim of encouraging integration at the level of managerial-economic relations and ties and their regulation, it is now developing in the direction of an expansion and intensification of its tasks and functions as far as the coordination of foreign policy activity in respect of certain international problems. Integration processes are being further expanded and intensified on a political basis proper. Although the EC is called an "economic integration union," it would be mistaken to conclude from this appellation alone that this economic union serves as the basis for the ongoing political integration. Such a view of things would be nothing other than an expression of "economic determinism" ("economic materialism")—an approach which regards the economy not only as an independent subject of history but as the sole underlying cause of historical development. In this case, naturally, there has to be a disparagement of the role of other phenomena of social life,

primarily politics, whose primacy over states' managerial-economic relations is particularly obvious in the said example of international economic integration.

III

In line with the transition from the theory to the practice of interstate relations the nature of the interconnection of political and economic factors might seem to be not that clear and unequivocal. The proposition that cooperation in the economic sphere contributes to political mutual understanding and vice versa is generally accepted: cooperation in the political sphere, in turn, contributes to the development of economic relations. Economic relations between states engender interdependence between them, and this interdependence is subsequently expressed at the time of the solution of political problems.

This is all true, of course. However, given such a general, unexact formulation of the question, when, essentially, the equal significance of political and economic factors is recognized, the problem of their correlation cannot be solved. If the theory is correct, there cannot in principle be a contradiction between it and practice. Practice shows, however, that political interdependence between states has undoubted primacy over economic interdependence. Even in day-to-day practice the political factor effects economic relations more directly both in time and in space. It operates, in addition, more tellingly and palpably, determining as a whole the directions and scale of the development of economic relations. On the other hand, a far greater period of time and a high degree of states' economic interdependence are needed for the palpable effect of economic relations between states to be manifested in policy.

This is confirmed convincingly, we believe, by the long-standing practice of East-West relations. While, for example, political relations in Europe and the world were influenced by the cold war they impeded the development of economic relations between states of the opposite social systems. Under the impact of the relaxation which came about in the 1970's considerable progress was made in the development of these relations, particularly in Europe, despite the existence in a number of countries of the West of influential forces wishing to hamper this process. When, however, on the eve and at the outset of the 1980's, as a consequence of the United States' policy of exacerbating tension in the world, the political climate in Europe noticeably deteriorated, this was immediately reflected in East-West economic relations also. In spite, seemingly, of the West European states' obvious interest in the development and expansion of economic relations with the socialist countries, the United States was nonetheless able to impose its political will on them and compel them to wind down many economic relations and tighten discriminatory measures in respect of the socialist community countries.

Economic cooperation has now become a most important means employed not only by the United States but other imperialist powers also for political pressure both on the USSR and other socialist countries and in relations with one another. This is particularly characteristic of the United States. Essentially all types of the United States' foreign economic relations, and not only in the form of exports of direct investments and loan capital, technology and commodities, what is more, but imports thereof also, are becoming means of pressure, the Soviet economist S. Medvedkov observes (6).

The role and impact of the policy of the leading imperialist power on international economic relations and the whole system of capitalist world-economic relations can be seen particularly graphically in the example of the United States. In recent years the foreign economic policy of the United States has been geared increasingly consistently to undermining protectionist barriers in the EC and removing tariff and nontariff restrictions on the markets of Japan and certain developing countries. By its foreign economic and currency-finance policy the United States is forcing these countries step by step to yield their positions. Even such a seemingly domestic problem as the U.S. federal budget deficit, which has been brought about primarily by the giant growth of military spending, has by the political efforts of the United States become a most important problem of international economic relations. By an official policy of high interest rates the United States has artificially caused a heavy influx of capital from overseas, from West Europe, Japan and the developing countries, thereby depriving them of the financial resources necessary for improving the situation in their own economies. As the CPSU Central Committee Political Report to the 27th congress observed, the United States, "by manipulating the dollar and interest rates, is not averse to feeding its economy at the expense of West Europe and Japan".

The priority of policy is also manifested vividly in instances of flareups of economic contradictions between imperialist states, which sometimes develop into real foreign economic "wars". Were we to abide by the logic of the primacy of foreign economic relations over international political relations, it would be natural to expect an exacerbation of the entire system of political relations between them also. However, not only is this not occurring but, on the contrary, it is the primacy of political interests which is prompting the imperialist states to a constant quest for and the formulation of means and methods of settlement of the acute economic contradictions and disagreements arising among them. Considerations of "high" policy determined by their role and place in the system of modern interstate relations and the correlation and alignment of forces therein operate here. Specific, in this case foreign economic, interests of the imperialist states are forced to give way in the face of their common political interests brought about by the global balance of forces and considerations of general imperialist political solidarity in the face of the socialist community ensuing therefrom.

By turning in the circle only of states' specific, comparatively individual interests it is hardly possible to expect a correct solution of the problem of the correlation of politics and economics in interstate relations, both in the theoretical and practical planes, what is more. It is necessary for this to pass beyond the framework of states' specific interests and view them from the angle of more general interests, determining interests.

In order to correctly evaluate in international relations this particular, be it political or economic, phenomenon it is necessary to view it through the prism of the world as a whole. Only in this case might it be possible to correctly evaluate the phenomenon itself and its true nature and place among other phenomena. Let us illustrate this idea by an example.

In the article "Present-Day Capitalism and the Unevenness of Development" in *Memo No 7* for this year its authors set, inter alia, the goal of examining by way of comparative analysis the significance of economic and political factors in determination of the international status of such imperialist states as Japan, the FRG, France and Great Britain. The leading role, in the authors' opinion, is performed here, they write, by "economic indicators". Although "the importance and independence of political factors" is noted here, their real place and role were not, we believe, revealed. It was for this reason that there remained unanswered the questions raised in the article of why, given the perfectly comparable "economic indicators" of the FRG and Japan, the latter is a center of imperialism, while the FRG does not perform such a role; or why France and Great Britain pertain, as before, among the "great powers," despite the relative weakening of their economic power, whereas Japan is not accorded such status. The assertion that for the FRG "economic possibilities predominate over political and military possibilities," while "the reverse picture is observed" (7) in the case of France and Great Britain does not clarify matters. The analysis of the correlation of economic and political factors hangs in their air, and it also remains unexplained why upon determination of a state's status in one case the predominant role is performed by economic factors, and in the other, by political. The authors endeavored to find answers to the questions raised in the said phenomena themselves, digressing essentially from the general international background or, in other words, from general systemic factors, yet it is they which in this case play the determining part. Only with regard for them is it possible to reveal the true picture of the world and determine the place and role of each individual phenomenon therein. Pertaining among such general systemic political factors are primarily the division of the world into two opposite systems of states and the global bipolar balance of forces corresponding thereto determining sufficiently stringently the political role of different states at both "poles".

The very "center of imperialism" and "great powers" concepts express not some permanent attributes of states; they are, on the contrary, of an evaluative nature

and for this reason entirely conditional. The manipulation of these concepts and the "fitting" thereof sometimes on some, sometimes on other states are incapable of explaining anything. We may continue to call Great Britain and France "great powers" or Japan and the FRG even economic "centers of imperialism"—this does not alter the actual international-political role of these states determined by the correlation and alignment of forces in the world. There continues as yet the bipolar balance of forces at the global level and everything connected with it: the system of military alliances and allied commitments, the dependence of the West European states and Japan on the military power of the United States, military-strategic parity between the USSR and the United States and the struggle to maintain it, and the corresponding role of the said states is preserved in principle.

The unevenness of the economic development of the imperialist states is undoubtedly an important factor in the development of interimperialist relations and the exacerbation of foreign economic contradictions among them, but it does not move directly into the sphere of political relations. The reverse picture is observed here, namely, the obvious priority role of the political factor prompting them to seek ways of settling the contradictions which arise, economic included, and intensifying the centripetal trend.

So, the economy is not an independent subject of relations possessing a will and capable of directly influencing the course of historical events. Paraphrasing K. Marx's well-known expression concerning history, it may be said that **the economy** does not do anything and fights in **no** battles. It is not the economy but **man**—this is who does all this. **The economy** is not some particular personality of whom man avails himself as a means for achieving its ends. On the contrary, man, pursuing his ends, that is, **political man**, uses the economy as a means in realization of his interests, modifying, restructuring and perfecting it.

The economy is not simply a sum total of various types and sectors of material production. The economy means primarily people's social relations; people's social relations always mean interests; social interests always means policy. All social interests of states or classes, including economic interests, are not realized of their own accord; they are realized via purposeful human activity, via policy. "...The most essential, 'decisive' interests of the classes," Lenin wrote, "may be satisfied **only** by fundamental **political** transformations in general" (8).

In the process of realization of economic processes policy cannot fail to subordinate these interests to itself; it modifies them and deforms and even distorts them in accordance with specific historical conditions, the needs of the day, political and economic conditions and the narrow interests of various social strata and groups of people and individuals even so that the result may not

only not correspond to the fundamental interests of this class or the other but also contradict them. And such a picture may be observed at every step.

Of course, the economy, in the sense of production relations, ultimately determines policy—there is no doubt of this. However, this fundamental Marxist proposition cannot, I believe, be understood simplistically in the sense of direct influence. First, it "ultimately" usually covers an entire historical era, within whose framework there is the day-to-day priority impact of policy on the economy, even if the policy is erroneous. Naturally, the discrepancies, contradictions and "scissors" between policy and the economy which form as a result of this development are rectified once again not independently but **only** via policy, via changes therein, via its adjustment and renewal. Second, the ultimately determining impact of the economy on policy and the changes therein is reflected by no means directly but indirectly, obliquely, via crisis or stagnation phenomena arising in the economy prompting people to seek means to rectify the situation and thereby make the appropriate adjustments to their political activity. Policy, on the other hand, influences the economy and the changes therein constantly and directly (negatively or positively), endeavoring to adapt it to the interests of this social group or the other, as they understand them at the corresponding time. The priority role of policy is manifested in respect of managerial-economic relations (both within a state and in international relations, what is more). Showing this has been the purpose of the article.

Footnotes

1. K. Marx and F. Engels, "Works," vol 3, p 63.
2. See "International Relations Since WWII" in three volumes. Vol 1, 1945-1949, Moscow, 1962, p XXVI.
3. See V.I. Lenin, "Complete Works," vol 42, p 278. Arguing with Bukharin on the question of the correlation of economics and politics, V.I. Lenin accused him of theoretical eclecticism for precisely the fact that he was advocating a "combination" of the economic and political approaches. As V.I. Lenin observed, believing that the political approach is the equivalent of the economic approach means forgetting the rudiments of Marxism inasmuch as politics, as a concentrated expression of economics, cannot fail to take precedence over it.
4. V.I. Lenin, "Complete Works," vol 28, p 42.
5. This idea is adduced, for example, in the book "Interconnection and Mutual Influence of Domestic and Foreign Policy" (Moscow, 1982, p 8). It is written there, specifically: "The concentrated expression of international economic relations are international political relations as a specific form of relations between the classes of different countries and their political representatives".
6. See *Memo* No 4, 1987, p 43.

7. Ibid., No 7, 1987, pp 29-32.

8. V.I. Lenin, "Complete Works," vol 6, p 46.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1987.

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High-Tech Potentials of Japan and United States Contrasted

18160002d Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 10, Oct 87 (signed to press 15 Sep 87) pp 61-71

[A.A. Dynkin, I.S. Tselishchev dialogue: "Japan: S&T Progress and Economic Organization"]

[Text] From the editors: Responding to readers' wishes, in this issue we begin a new section. Its job is to introduce the results of overseas assignments of scholars of the USSR Academy of Sciences IMEMO and other institutes and establishments which are of the greatest interest in the theoretical and practical respects. The section is inaugurated by a dialogue between A.A. Dynkin, head of the USSR Academy of Sciences IMEMO Department of Economics of S&T Progress and Management Problems, and I.S. Tselishchev, deputy chief editor of our journal, the basis of which are the results of their research in Japan.

I.Ts. The subjects on which we worked in Japan were very close. For you it meant more questions of S&T policy, for me, of economic organization and the evolution of the entrepreneurial structure at the present stage of S&T progress.

I suggest, Aleksandr Aleksandrovich, that we begin with the question of the correlation of basic and applied research. It is known, for example, that, at least until recently, Japanese companies were very strong in the sphere of applied R&D, but in the sphere of basic research Japan depended for the most part on its partners. Talking with representatives of academic and business circles of the country, I asked repeatedly: will the situation change, and if so, how? Will the situation wherein Japan is primarily a country of applied R&D continue or are some serious changes possible? In this connection my attention was called to the idea of a change in the very nature of research work and the very organization of the whole research—development—production—marketing cycle. It is a question of linear and nonlinear models thereof. You also, I believe, touched repeatedly on this question in your discussions.

A.D. Undoubtedly. This is a very complex and interesting question. The purpose of my assignment included, besides study of the Japanese experience of S&T development, an attempt to compare it with the current model of S&T development in the United States. For this

reason I would like continually to draw parallels between the particular features of the functioning of the S&T potentials of the two countries. Indeed, traditionally Japan has lagged behind in basic research, and were we to sketch a chain of phases of the research cycle characteristic of the 1960's-first half of the 1970's, where in the United States basic research figured in this chain, for Japanese firms it was a search for information in the outside environment, mainly overseas—and applied research made great progress, that is, at that time the Japanese knew how to cope virtually without basic research. Later the following principle appeared. To conduct basic research only in instances where applied research does not produce some desired result and when in the course of applied research problems requiring theoretical analysis arise. They subsequently transformed this principle also. The so-called nonlinear model of the process of innovations was born. The point thereof is that basic and applied research, development and even experimental production are repeated many times over in line with the progress from the starting point to realization of the product and the creation of the technology. And a multiple evaluation of the results of stages of the research is undoubtedly performed. So this nonlinear approach, which is now, evidently, a universal principle for all major Japanese firms, contributes to a large extent to time savings in the innovation process.

I.Ts. I still see things such that, in accordance with the traditional views, which were right for their time, the innovative idea is born, as a rule, at the stage of basic research. It is appropriately "shaped" there and then implemented and realized in practice, passing along the chain via applied research, development and production. But it is now said that an idea may with roughly an equal degree of probability be born at any stage of the chain, in production, for example, and, perhaps, in the development sphere. And then via feedback channels an order reaches, as it were, the sphere of basic research: work up the idea and ensure this theoretical study or the other in respect of a given set of problems, preparing the efficient application of the innovation in practice. And such a transfer of ideas really occurs very often. This is called the "rugby principle".

And this is where the Japanese are strong—in the organizational aspect. It seems to me that the so-called project groups work quite efficiently in Japanese firms. Take, for example, the Toray firm. You have visited it also. More than 100 small project groups (5-6 persons each) operates there simultaneously. And what is significant, furthermore, is that representatives of the research component, shopfloor workers and marketing experts work in the groups side by side. They are confronted with a perfectly specific task: coming up with the concept of a new commodity. This means determining its consumer properties, having ascertained therein something unique; calculating costs and price; indicating the market on which it will be sold (domestic or external). On the basis of this concept the research subdivisions continue the work, with perfectly specific reference points now.

This is also of great significance for the production and marketing subdivisions inasmuch as working together with the research workers enables them to view the future and join directly in the innovation process. In a word, there is an efficient means of coupling research, production and marketing.

It seems to me that the general conclusion may be formulated thus. Yes, in terms of scale of basic research Japan lags behind the United States as yet. But very strong aspects may be discerned in the Japanese system of research as a whole—including its basic component also. Advantages even over other countries may be discerned, I would say. These are primarily the orientation of all stages of research toward a specific end result and adequate organizational forms providing for the efficient coupling of different components of the science-production cycle. I see factors of Japan's competitiveness here.

A.D. Speaking of the domestic structural proportions of Japan's research potential, it should be noted that approximately as of the start of the 1980's the correlation of expenditure on basic and applied R&D has been roughly the same as it was 20 years ago in the United States. In the United States this proportion is stable and appears thus: 12-13 percent on basic research, 24-25 percent on applied research, the rest on development. Such a correlation has taken shape as of the start of the 1980's in Japan also, which, I believe, is no accident inasmuch as the stability of this proportion in the United States points, obviously, to its "maturity" and correspondence to the economy's requirements in the absorption of available research process stock. An abrupt increase or reduction in the proportion of any phase of the cycle produces a negative result inasmuch as the entire system will be unable to cope with the process stock being created or it will be insufficient. The fact that Japan has approached similar correlations is highly noteworthy, in my opinion. In terms of the absolute amounts of investments in scientific R&D the United States is currently superior to Japan by a factor of approximately 2. But the indicators of proportional expenditure on R&D in the GNP are almost identical. Of course, the efficiency of the use of scientific research needs to be borne in mind also. In the United States over three-fourths of federal spending on science goes into military research (military-space included), in Japan only 2-3 percent is spent to this end. At the same time in the past 20 years the proportion of state budget resources in Japan's national scientific spending fell from 31 percent in 1965 to 21 percent in 1985. Thus the forecasts of the end of the 1970's that the state's share of the financing of science would at the start of the 1990's be approximately 50 percent (a level long since reached in other developed capitalist countries) have not been justified. The reasons have been the budget deficit and also the active use with the aid of the system of indirect regulation of the resources of private business. However, if the appropriations for military research are excluded from American federal spending on science, their share

of national investments in this sphere falls from 48 percent to 22 percent (1987), which corresponds to the analogous Japanese indicator.

Let us take the sectoral science-intensiveness of the United States and Japan. In automobile manufacturing and electronics the science-intensiveness of Japanese products is, according to statistical information, lower by a factor of almost 2, but everyone knows of the problems of competitiveness being encountered by the Americans. This is, in my view, a sign of the efficient use of S&T potential. Specifically, it is connected with what you were speaking about: with the project groups and also with the high degree of cooperation of Japanese firms. And, what is more, in the research phase the principle of cooperation is, I believe, decisive, and the center of gravity of competition is transferred to the production and marketing phase. There is competition for reduced costs, quality and for the consumer. The Japanese are known for being able to orient themselves well toward differentiated market requirements. The firms themselves frequently create requirements, proceeding from an analysis of living conditions or the nature of production, to take the consumer of investment commodities. All these are undoubtedly strong aspects of the Japanese model of technical progress.

It should be mentioned also that competition in Japan is of a very bitter nature. For example, over a dozen large-scale firms, more or less equal in terms of their possibilities, operate in each engineering sector (auto manufacturing, robot assembly, electronics and so forth), whereas in the United States the degree of monopolization is appreciably higher.

I.Ts. In the course of my conversations with Japanese specialists we repeatedly discussed the following question. The American firms which are performing important military research have a firm financial base in the form of federal budget appropriations and can for this reason wait quite a long time for a practical outcome. In addition, when there is support on the part of the state, when the budget has been brought into play, commercial incentives, I believe, weaken. Japanese companies, including firms engaged in military research, always cleave to the "self-financing" principle. But support on the part of the state here is minimal. For this reason research is oriented toward relatively rapid returns. As Prof T. Ishomura, for example, observed, an American firm is prepared to wait 10-20 years, a Japanese firm will not wait more than 5. This is truly a very important aspect. And, obviously, the very principles of spending resources in Japan are somewhat different.

Now about cooperation and competition. This point is of a fundamental nature. After all, in Japan the bulk of R&D is performed in private firms. This has its strong points. But there are minuses also—a certain deconcentration of R&D, for example. It is difficult for the

individual firm, even the biggest, to carry out a large-scale research project, which frequently requires the united efforts of many producers and movement to the national level.

A.D. Of course, the achievement of a certain "critical" mass of resources is essential here.

I.Ts. Undoubtedly. And in this connection attention is called to the research associations in such spheres as the development of the technology of the production of very large integrated circuits (the association operated up to the start of the 1980's), fundamental techniques of the production of fifth-generation computers and a number of others. The associations have proven their efficiency. It becomes possible primarily to unite the efforts of the leading producers, the state is included and a certain common national strategy is implemented. But all this is at the stage of research and the working up of the base technology. As soon as it comes to the point of development and modification of the base technology, the association disbands, and the recent partners become competitors. Hereupon an entirely different principle takes effect. Thus, it seems to me, highly effective forms of the stimulation of scientific research and the rapid introduction of their results in production are being probed. I refer to some optimum versions of the combination of cooperation and competition.

At the same time, of course, such associations work smoothly far from always. The reason being the specific interests of the companies and their reluctance to put at the association's disposal their best personnel and the difficulties of uniting representatives of different companies in a single team, as it were, such that they work under a common leadership, under "one roof". Much depends on who leads the association and so forth. In a word, this form of the organization of research does not always work—and instead of an association, it is sometimes necessary to take the path of distribution of various research topics among the companies. This is something quite different, and the results are considerably less. As far as the associations are concerned, however, they are a most promising form of the organization of research activity.

A.D. I would like to add here that one of my associates assured me that 95 percent of Japan's research budget is allocated in centralized manner. This is, perhaps, an exaggeration. But to what did he refer? Primarily the committees which operate in the Ministry of International Trade and Industry and also the network, which functions highly efficiently, of informal relations of top Japanese specialists employed in different firms and universities.

I would now like to return to a question which you have touched on. It is true that firms of the American military-industrial complex may wait for decades to recoup their expenditure. But it is essential to bear in mind also that the modern firm is diversified. Naturally, among the

spheres of their business activity arms producers have, as a rule, civilian sectors also. And, it seems to me, the difference between the United States and Japan here is that the Americans are oriented toward short-term financial indicators, at least, this was the case on the eve and at the outset of the 1980's. And this frequently undermined, so to speak, the long-term orientation of S&T progress, whereas Japan—this is now a commonplace—is more oriented not toward short-term profit and not toward short-run profitability but toward long-term prospects and the market share. In addition, compared with the American the Japanese corporation is connected more closely with available labor resources, and it is more difficult for it to adopt decisions concerning a sharp reduction or increase in personnel than for the American corporation. This long-term policy may, in my view, be put among the advantages of the Japanese strategy of S&T development.

I.Ts. I would say, not only of S&T development even but of the development of the corporations as a whole. Indeed, inasmuch as legal entities are preponderant among the shareholders of Japanese firms, inasmuch as there is a mutual system of share ownership, when within the framework of finance-monopoly groups corporations own one another's shares and their managers in fact delegate to one another right of control without interference and inasmuch as there is a lack of strict control on the part of the shareholders who are interested primarily in the rapid acquisition of the maximum profits, to that extent the Japanese manager is oriented to a considerably lesser extent than the American or West European toward short-term financial indicators. This makes it possible to draw up strategic plans and realize them in, I would say, a calmer atmosphere and with a greater degree of the manager's autonomy. This is one further considerable factor of the companies' competitiveness.

But I would like to turn to the question of diversification which you have just mentioned. In my conversations in Japan it was a key issue. Until recently—this is well known—Japanese firms were considered highly specialized. The degree of their attachment to the main sector per the standards of the Western business world was considerable. Now the situation is beginning to change, and quite abruptly, what is more. This merits the closest attention, from the viewpoint of the prospects of the development of our economy included, I believe. There is growing recognition of the fact that under present conditions the orientation of a large firm to one sector and, even more, to the production of a single product is unpromising and economically unwarranted. Previously it was still possible to make the choice: the advantages of narrow specialization or the advantages of diversification. Today diversification has virtually become an imperative. Almost every more or less large company is engaged in the search for a particular diversified development concept. It presupposes, first, a carefully considered set of industries and sectors interconnected technologically or by nature and methods of marketing. In Japan, as distinct from the United States, companies do

not "move" too far from their main, base sector. This is really connected primarily with retention of the personnel. If we take, for example, a textile company, then, considering the very broad profile of Japanese specialists, it may be supposed that a specialist in the sphere of textile production would be able, given the appropriate retraining, to work in some sectors of chemical industry and in the production of a number of new materials, but it would obviously be difficult for him to work in information science. And finding manpower outside of the firm under the conditions of the system of long-term hire is very, very difficult. So, the first thing is an assembly of sectors and industries interconnected technologically and in terms of marketing. I would like to further mention here that industrial companies frequently penetrate service sectors also which are also contiguous in one way or another with their main production profile (for example, food companies, the public catering sphere, automobile manufacturing, tourism, and so forth).

But this is not all. There is a second most important aspect of diversification—the obligatory incorporation in the diversification concept of virtually any major firm (or, as the Japanese now say, employing the English term, CI, that is, corporate identity) of this industry or the other pertaining to sectors which are at the forward edge of S&T progress (electronics, information science, biotechnology, new materials). This is an extraordinarily material fact. First, because as a result the development of the progressive sectors is stimulated to an enormous extent; second, increasingly keen competition arises in them, which also can in no way be disregarded upon an analysis of the dynamics and level of their development.

It would seem to me that there are further things for us to think about here in the theoretical plane. To a certain extent the formation and implementation of such diversification concepts (CI) shifts the center of gravity of competition from the level of individual sectors to the level of the economy as a whole. To a certain extent I would even say that the sectoral monopoly structures are being "undermined". It is not so much the producers in one sector as—at the level of the entire economy—different CI which are competing. This also is to a large extent a qualitatively different situation compared with what it was in the 1960's or 1970's, say.

And one further point of fundamental importance: a producer can shape his concept, his CI only independently. No instructions "from above" can work here. Yet the formation of this diversification concept is a decisive factor of an increase in the efficiency of the use of resources. The "economy of scope" category—economies in the range and list of products—is now in vogue among economists in Japan and other capitalist countries.

A.D. In diversity.

I.Ts. Yes, in diversity. In other words, it is more efficient to produce a multitude of types of various products—if only in small consignments—at one large firm than to distribute the same types of products among a corresponding number of specialized smaller firms. This is, of course, far from a universal rule, but such a trend is operating quite frequently.

A.D. This is undoubtedly an important fact.

Economies in diversity are a most important component of the current strategy of economic development. The point thereof is to manufacture a specialized product for a specific consumer while maintaining the low level of costs typical of mass production. The material basis here consists of the latest means of automation (flexible manufacturing systems, robots and so forth) and information science. Incidentally, similar trends are also coming to light today even in the United States. The well-known enthusiasm for the formation of conglomerates has been replaced by the creation within the companies of, as the Americans say, supergroups. The basis of their formation is primarily technological, and they tackle questions of the comprehensive assimilation of innovations. Another example. Firms manufacturing rolling bearings move along the technological chain from the base product in both directions. Downward, to the production of special steels, upward, to special machine-tool manufacture and the production of measuring instruments. It is the orientation toward uniform technology which is today linking numerous independent and quasi-independent divisions.

In Japan the stage, if it may be so put, of financial diversification has, in my view, already been crossed to a certain extent. You spoke of crossover share ownership. It was this which was the predominant feature in the 1960's, evidently. Today it is undoubtedly technology. You observed that currently all firms, even of the old sectors, are endeavoring to diversify in the sphere of progressive technology. In Japan, as distinct from the United States, this process is actively stimulated by the government. You surely recall our joint visit to the Japanese Development Bank, during which we were told of one interesting study. It showed that if the mid-1970's and mid-1980's are compared, in terms of the structure of research activity different sectors have become homogeneous. For example, firms of light industry are actively conducting R&D in the sphere of information science and automation, which is the direction of the companies of many traditional base sectors. This is being achieved thanks to government stimulation, specifically by means of credit-finance policy and studies in the field of "fundamental technologies," as the Japanese say. And the list of such technologies is determined by the central government or the local administrative authorities. In fact the state shapes the directions of scientific research and triggers the structural reorganization of the economy accordingly in the prescribed channel. The said principles of Japanese credit-finance policy provide for the

so-called "synthesis of technology" inasmuch as they encourage the traditional sectors to assimilate the latest fields of science and technology.

This is an interesting aspect of the Japanese model.

I.Ts. We have not yet touched on such an important form of the organization of research activity and S&T enterprise as venture business.

How do you see its prospects in Japan and its specific features?

A.D. For the United States venture enterprise has been an arterial direction of S&T development. Statistics testify that small and mid-sized companies are far more active in an innovative respect than large organizations with, so to speak, "ossified" structures. In Japan the main component realizing S&T progress will, for all that, be the large corporation. I recall a meeting with, I would say, the most convinced supporter of venture enterprise, Yanagida, president of Tectron. This firm is as well known in Japan as, perhaps, Genentech in the United States. He believes in the future of venture business in Japan, but sees circumstances objectively holding back the development of this form of enterprise. What are these circumstances? The first is undoubtedly the inadequate mobility of gifted specialists, young ones particularly, inasmuch as in Japan work in a large firm remains the most prestigious. Yanagida-san complained to me that he could not put together the necessary number of high-grade specialists under the age of 35. The second is the particular limitation of sources of loan capital. I visited the Sumitomo Bank, where I was told that a group for financing venture entrepreneurs had been set up there, but when I tried to ascertain the principles and the procedure of the allocation of these funds, those with whom I was speaking avoided a clear answer and said that there was no formal procedure here but specific Japanese relations. They take shape in a completely varying fashion. For example, on the basis of family ties, local preference and so forth. And this is the procedure for the selection of venture firms for financing, at least in the Sumitomo Bank.

I.Ts. I also had the impression that Japanese banks, more precisely, so-called venture capital—in Japan this means primarily daughter firms of the major banks and insurance companies—begin to extend credit to venture enterprise only when it is more or less on its feet and has acquired a name.

A.D. Of course.

I.Ts. But at the first stage, when it is most in need of money, obtaining it is extremely difficult. There is no such problem in the United States.

A.D. And a third factor about which Yanagida-san spoke—the absence in Japan of the necessary infrastructure for venture enterprise. What did he mean? Primarily

insufficient access to data banks and the absence of a ramified system of centers for leasing the necessary equipment and an extensive network of special courses for the improvement and retraining of the venture entrepreneurs. In Japan all this is as yet in a rudimentary state, whereas in the United States it is already noticeably developed. In order not to appear to be without proof I shall cite figures testifying to the extent to which the development of a venture company is easier in the United States. The annual growth of the turnover of the 100 biggest American venture firms is now of the order of 110 percent, but of the Japanese firms, 40-50 percent.

I.Ts. A few years ago whole collections of articles began to appear in the well-known Japanese economic journal *Toyo Keizai* in the "Venture Fever" column. Other publications also devoted many pages to the "venture boom". I am now of the impression that we also at that time were somewhat overenthusiastic in describing the dynamic development and extensive prospects of venture business in Japan. I agree with what you have said as a whole. The American version of venture business in Japan has no future, and there is no faith in it. But at the same time there have to be some forms of organization of the economy which compensate for the inadequate development of this type of S&T enterprise. It would seem to me, for example, that the functions of classical ventures in Japan are being performed to a considerable extent by venture subdivisions operating within the major corporations or new firms created by the latter. In the first case these are called internal venture, in the second, external. Preference is being shown currently for the second, it would seem.

A.D. External per the terminology accepted in Japan?

I.Ts. Yes. It is a question of a large corporation creating for the assimilation of this new sector or the other a small venture program firm, gradually according it increasingly great independence. There was, specifically, an interesting poll of a group of top employers. They were asked the type of venture, internal or external, which they preferred. The majority said external. Why? In view of the fact that a venture firm must for all that have a slight degree of managerial independence and autonomy. It has to take risks. When a venture operates within a large firm, the decisions made therein have to pass through a multitude of stages of coordination and running in at different levels of the managerial hierarchy. It cannot be helped—the aspiration to consensus in Japanese firms is traditional. For this reason it is more efficient to take the venture outside of the firm. What is the strength of this form of organization? First, the new firms have an opportunity to take risks, and there are no big innovations today without risk. Second, the small group, small organization principle operates, and flexibility, maneuverability and promptitude are ensured. And, third, the new firms have an opportunity to use the resources—financial, S&T, personnel—of the major corporations.

I would like particularly to say this in this connection. The separation of individual subdivisions of major corporations into independent firms as an organizational form of the assimilation of new sectors has become very deeply rooted in Japan. And this is the method and the form of organization to which the closest attention should be paid—primarily from the viewpoint, furthermore, of use of the human factor. First, there is an appreciable rise in the prestige and authority of those who work in such a firm. It is one thing when a person is in charge of a department or section—in a major corporation even—when he becomes president of a firm, albeit a small one, quite another. The second point I have already mentioned. This separated firm operates as a compact organization. Decisions are quickly adopted and quickly implemented here. There is no lengthy running in, coordination and so forth. And, third, control. The controller here is the market directly, so to speak: the consumers, creditors, stockholders and so forth, and for the intrafirm subdivision, even given the highest degree of its autonomy, control is exercised more, for all that, per accounts ledgers. It is possible to “hide” here behind other subdivisions. This, it seems to me, is a very important fact. And summing up this part of our discussion, I would like to emphasize the idea that a universal principle both for Japan and the United States and, I believe, for West European countries is the extensive use of the small organization and the small operational group for stimulation of the innovation process.

It is merely a question of the framework in which this group works. It may function within a large corporation or outside of it. But that such groups are necessary, essential, of this there is, in my opinion, no doubt.

A.D. Now, Ivan Sergeyevich, I would like to put to you the following question. Everyone knows that “quality groups” function efficiently in Japan. The changes in the nature of modern production, its specialization and differentiation and application of the principle of economies in diversity or economies in the optimum variation of scale create, in my view, certain problems for the activity of the traditional “quality groups” frequently connected with standard line production. How do you view the prospects of the development of this method of the organization of labor?

I.Ts. You know, my viewpoint on this question had by and large been formulated, more precisely, modified somewhat even prior to the assignment. And I was persuaded for the umpteenth time of the need to reexamine stereotypes and approach the problem more broadly following a conversation with Kazuo Koike, professor at Kyoto University and perhaps Japan's top specialist on labor management issues. I believe that we exaggerate somewhat the significance of this form of organization among all the forms, means and directions of the stimulation of quality, labor productivity and efficiency. K. Koike puts it thus: yes, the “quality groups” exist and they are not without their uses, but something else is far more important. The worker in the production bay performs two types of operations: routine, when the lines have been set in motion in the

prescribed mode and when a particular type of product is manufactured, and nonstandard—readjustment, prevention of defects and some maintenance operations, not the most complex, if such a need arises. The Japanese worker, the “average” worker, spends time in different shops and bays of his firm in accordance with the practice of personnel rotation. Highly complex intrafirm education and retraining programs await him. As a result he is well oriented in production as a whole and may equally successfully perform both routine and nonstandard operations. At the same time in the United States and West Europe, say, there is, as a rule, a stricter division of functions between the workers and engineering-technical personnel.

A.D. A characteristic feature of American and West European management is the large number of fixed positions and, correspondingly, official sets of instructions. This is not the case in Japan.

I.Ts. And this is important also. But the main thing, I believe, for all that, is the fact that in Western countries engineering-technical personnel perform mainly the nonroutine, and workers, the routine operations. In Japan the worker sees the whole process, so to speak, in a complex and has broader opportunities for purposefully influencing it. Today, when the proportion of small-series production is growing, the product mix is expanding sharply and technology is being updated rapidly, this is particularly necessary. This aspect is, I am certain, more important than the “quality group”. As far as the groups are concerned, they retain their significance, it would seem. They are applicable in the small-series production of commodities of an extensive product mix, it seems to me.

A.D. It was not fortuitous, Ivan Sergeyevich, that I asked the question about “quality groups”. I had a very interesting discussion of this problem with Kenichi Imai, professor at Hitotsubashi University. He said that the unification in groups of persons of creative labor, specifically, specialists connected with R&D, software and so forth, has generally not been as easy as for blue-collar workers. And the traditional division into “white”- and “blue-collar” workers is altogether inadequate today. There are additionally the so-called “gold-collar” workers—persons who formulate the product concept, highly skilled research assistants and programming specialists, in short, persons engaged in individual creative labor. They are less willing to participate in such group forms of the organization of labor. This is what I had in mind primarily. K. Imai is promoting the idea of the introduction of more flexible forms. To employ our terminology, the organization of comprehensive teams of a kind which would incorporate developers, that is, persons of creative labor, and certain production personnel. What is interesting is that he proposes the inclusion therein of

representatives of subsuppliers and consumers even. K. Imai's view that the "quality groups" will undergo such an evolution in the future merits our attention, in my opinion.

I.Ts. This is certainly the case, although there is another aspect also. In Japan individual creative activity is not based on some established, polished forms of encouragement and stimulation. Group activity still predominates. An innovator who has developed a new production process does not receive such a large material reward as in the United States. This could to a certain extent impede innovation of a fundamental nature, and no evolution of the "quality groups" would help. But since we have been speaking of K. Imai we simply do not have the right, I believe, to overlook the so-called "network" concept, to whose substantiation and development he is devoting many of his works. According to K. Imai, this is the universal principle, so to speak, of organization both within a firm—which you have now in fact illustrated—and at the interfirm level.

The following idea is born in this connection. The Japanese economy developed in the 1960's-1970's to a considerable extent within the framework of quite clearly defined vertical organizations. Among such pertain the celebrated six leading finance-monopoly groups—shudan, as they are called (Mitsubishi, Mitsu, Sumitomo and so forth). The same are the pyramid-type subcontracting systems, at the summit of which is the large firm, it having first-tier subcontractors; they have their subcontractors (second tier), further on there is a third tier, and thus it is quite a long way to the foot of the pyramid. All the connections are long-term and strong.

A.D. That which is denoted by the term "keiretsu"?

I.Ts. No, the keiretsu is somewhat broader. The keiretsu may extend to horizontal relations also and some partner relationships in the sphere of production of a homogeneous end product and so forth. In a number of cases this term is also employed to denote financial groups. Subcontracts are translated as "shitauke".

So now the vertical organizations are being partially eroded. Let us take, for example, the finance-monopoly groups (shudan). Each of them had its own firms in virtually all the main sectors of the economy.

A.D. A kind of subsistence economy.

I.Ts. A kind of gentleman's assembly of the main sectors, to which the shudan extend the sphere of their influence. At the summit of the organization is, naturally, the bank. The companies in each sector know to whom to apply for credit. Further at the summit is the so-called universal trading firm, which performs commercial intermediary transactions and organizes the fulfillment of large-scale projects. At the summit, finally, are meetings of the presidents of the leading companies, which determine the strategic directions of the group's development. This

was the case, but now? First, the coordinating role of the banks is weakening if only because in relative terms the demand for credit is declining. The industrial and other companies have "sufficient" money. Second, the universal trading firms also are experiencing an extremely difficult period inasmuch as they are oriented primarily toward the marketing of large consignments of homogeneous traditional products and are weak on the markets of the newest sectors. As far as the meetings of the presidential councils are concerned, these now amount primarily to an exchange of information. The center of gravity of the decision-making process is shifting even more to firm level. As we have already said, the firms are diversifying and leaving for the new sectors. Many of them are situated at the intersection of old sectors, and a combination of the techniques, knowhow and production experience of companies of the most varied sectoral profile is needed. In order to competently construct a diversified strategy corresponding to modern requirements a firm has to use a considerably larger number of agents than is possible within the framework of its finance group alone. For this reason such groups, if they are not disintegrating, they are at least intermingling with a growing number of other interfirm partnerships which go beyond the confines thereof. This is what the "network" is.

A.D. That is, the firm is becoming an open system to a greater extent.

I.Ts. Quite right. You could say that also. It is just the same with the subcontract systems. Each subcontractor in Japan works on average per the orders of four-six head firms. In addition, the head firm endeavors to prevent its subcontractor supplying it with more than 70-80 percent of its products. A paradox, seemingly. But in fact not at all. In encouraging its move toward other large firms it is contributing to the said subcontractor acquiring some additional skills, knowledge, knowhow and technology, that is, to it becoming a more efficient supplier. Not to mention the economies in scale and the corresponding reduction in costs. Here you have a further "network".

A.D. But there is also here a negative feature in the eyes of, say, the president of some large company. As my conversations in Japan showed, this form of subcontract relations is the main channel of the transfer of technology from one major producer to another. And some balance is certainly needed here inasmuch as there is a technology drain by such paths. But, obviously, it is such relations which are essential from the viewpoint of an enhancement of the technological level of the economy as a whole.

I.Ts. In my opinion, given the present level of interfirm relations and production cooperation, a firm is in any event capable of monopolizing technology for only a very short period of time.

A.D. Undoubtedly, inasmuch as the rate of renewal is very high.

I.Ts. And the pace of technology transfer colossal.

A.D. Nor is patent protection always expedient under these conditions.

I.Ts. Right you are, it is logical, although at first sight surprising. But let us return once more to the "networks". As far as the head firm is concerned, it aspires to purchase simultaneously from several suppliers one and the same component even. The multiple sources of supply principle, so to speak.

A.D. Of course, advantage is taken to the full extent of price competition here.

I.Ts. Now I come to a very important aspect which is of special interest to me. It is often said that interfirm relations in Japan are strong. Whereas in the United States the head firm and the subsupplier conclude a contract for a year, say, and the year passes, and a new contract is frequently concluded with a different firm, in Japan, on the contrary, relations are of a permanent, long-term nature. There is even the Japanese saying: "No business with a nodding acquaintance," which is, I would say, a kind of guide to action in the business sphere. But why does such a system work? This is again very important from the viewpoint of our economy. Because it is imbued with competition. Naturally, given a multiplicity of sources of supply, the head firm changes and regulates the proportions of various subsuppliers depending on their financial-economic indicators and innovation potential. The subsupplier also could have certain freedom of maneuver inasmuch as he is serving several clients.

True, mention should also be made for a complete picture of the following circumstance. Japanese specialists in the field of business organization agree that the "network organization" is the most efficient, but differ in their evaluation of the extent to which it has already become a reality. The same K. Imai maintains that "networks" today constitute the basis of the organization of the Japanese economy, while, for example, H. Okumura (his book "Corporate Capital in Japan" was recently published in our country by "Progress") says that this is as yet merely an unattainable ideal. His arguments are such: the manager of any corporation will immediately tell you which is its main bank. Each subcontractor has a main client, who accounts for the decisive portion of the supplies and who is in addition creditor, consultant and so forth. All the remaining relations are merely a small makeweight. Nor is the choice of suppliers by any means unlimited. A subcontractor of the Toyota company, say, will never be the subcontractor of its main competitor—Nissan. It would seem to me that the truth lies as yet somewhere in between. The lines of the subcontract relations may be compared with trunks and branches. The trunks are the multilevel established relations, the branches, the comparatively new, less intensive relations. But the branches

are becoming an ever increasing trend and are themselves becoming "thicker," that is, ties outside of the established relations are being stimulated and enriched in terms of content.

There is altogether no doubt that S&T progress today demands a significant expansion of every conceivable partner relationship and a stimulation of producers' activity within the framework of a variety of amalgamations and associations and freedom in the choice of partners. No regulating body situated above can "outline" an economically rational network of interrelationships, it can only be determined by the producers for themselves. In other words, decisions determining the structure of both intra- and intersectoral relations are adopted at firm level, and this is an essential prerequisite of the formation of economically efficient "networks".

But the time of the discussion is drawing to a close, and it is time, I believe, for us to turn to intrafirm management.

A.D. Permit me, then, once again to make comparisons.

The proposition concerning the crisis of American management and the advantages of Japanese management has become prevalent as of the end of the 1970's, under the impression of the successes of Japan's foreign economic expansion in the United States. In the latter half of the 1980's both theorists and practitioners of American management completed in principle a period of intensive, in-depth study of the experience of Japanese management. The main lesson which the Americans learned was recognition of the importance of the so-called "soft" ingredient of management connected with the orientation toward particular social, psychological and cultural traditions. The United States today fully recognizes the importance of the stimulation of quality, the nonmaterial motivation of labor and the formation of values and principles of the activity of the corporation and other methods of stimulating the human factor.

For a long time problems were solved in American corporations by way of a change in organizational-managerial structures and forms of financial control and a leadership shakeup. The Japanese, on the other hand, call attention primarily to the style and methods of work and the nature of interaction. Of course, they also rearrange the structure of management, but this is done more smoothly.

The "average" Japanese firm seems to me more centralized than the American firm. Its branches specializing in the manufacture of this type of product or the other are more dependent on headquarters. This is indicated if only by the fact that in the American firm the branch receives from headquarters, as a rule, itemized expenditure estimates, but in Japan, a plan pertaining to the consolidated production list, costs, profit, suppliers and personnel even. Of course, the plan is shaped "from the branches," but headquarters approves it and releases it.

The traditional weakness of theoretical research is a factor of the greater centralization of the Japanese firm, in my view.

I.Ts. In what way?

A.D. The point is that a system of both the free and commercial transfer of the results of basic research from the colleges and government research centers to private business has been developed in the United States. This is not the case or virtually not the case in Japan. Whence it is necessary for the major companies to have strong research centers engaged in theoretical work also. This prompts centralization. In the United States, on the other hand, it is easier to transfer R&D to the branches. And in American firms generally the branches have broader rights.

I.Ts. I recall a visit to the well-known electrical engineering firm Fuji Electric and the quite candid discussion with its managers. I inquired, *inter alia*, how the firm's management saw the main paths of reorganization aimed at stimulating S&T progress and introducing technological innovations. The answer was unequivocal: sharply expanding the branches' independence and making almost independent firms out of them. This means, for example, that in the branches decisions should be made in such spheres as the production structure (within the framework of the established specialization) and investments, prices, the organization of marketing, relations with suppliers and consumers, the complement of blue-collar personnel and in the future, possibly, wages also. As far as headquarters is concerned, it should perform three most important functions: strategic planning (this naturally includes S&T policy), financial center and the training, retraining and assignment of highly skilled specialists.

But this is far from all. The most interesting is still to come.

I was told at Fuji Electric about a study which had been carried out to the firm's order by the Mitsubishi Research Institute. The question was: what system of organization best corresponds to the present conditions of S&T progress—centralized with a strong headquarters or decentralized with strong branches. And this was the result. The Japanese firms of the top international class, so to speak, which have demonstrated the best indicators have traditionally been firms with strong branches and a relative weak headquarters. This applies to Matsushita Electric, Toyota, Hitachi and certain others.

A.D. To Honda, surely.

I.Ts. And to Honda also. But a system of strong branches given a relatively weak headquarters is good when production has been standardized and when the functions of each subdivision have been more or less clearly and

unambiguously defined. Hereupon they operate independently, with a high degree of autonomy, and headquarters performs the role of a kind of holding company or financial center. When, however, a major innovative decision at the level of the entire company, some changes in strategy and a move into new sectors are in the works, the centralized system is preferable then. At that time headquarters should actively lead the entire company as a whole, intervening actively in the affairs of the subdivisions as far as details even. For example, Matsushita Electric attempted to penetrate the sphere of production of the latest data-processing hardware. The campaign "Action 1986" was launched. But this sphere was not penetrated—to a considerable extent because, I believe, the company was not ready organizationally for operating in a centralized mode. What thoughts do the results of the Mitsubishi Research Institute prompt? Primarily, for sure, the idea that some combination of centralized and decentralized principles is necessary. This idea might even seem banal. But it is now the task of management to find nonbanal ways of realizing it. An idea formulated in the course of discussion with Hiroyuki Itami, professor at Hitotsubashi University—concerning centralization and decentralization waves—seemed to me very interesting. Decentralization waves, when the branches work under conditions of considerable autonomy, under prescribed conditions, within the framework of prescribed specialization for 10-12 years, say, should alternate with shorter periods of active and quite abrupt centralization, when headquarters takes over everything, actively intervenes in the work of the branches, indicates what they should be doing and how and makes some strategic changes connected with the assimilation of new industries, sectors and techniques at the level of the entire firm. Then a new wave of decentralization. In Japan, to judge by everything, this approach is gradually blazing a trail for itself. In a word, decentralization as such is not in itself a panacea. On the other hand, the centralized principle is undergoing considerable changes under present conditions.

A.D. I would conclude this part of our conversation with the following summary.

It is now plain that the branches are coping satisfactorily with market risk, with economic risk, so to speak. But, nonetheless, when innovations are included here and an additional risk complex—technological risk—appears, centralization is needed. This is surely the answer to the question of what is more efficient and when.

As a whole, I believe, it is possible to draw the conclusion as to the certain mutual enrichment of the Japanese and American approaches both in the theory and practice of management. A quite agonizing synthesis of the "rational management" and "organizational humanism" concepts, which in recent decades were regarded as opposites, is under way in the United States with regard for the Japanese experience. As a result a new managerial strategy is taking shape—enterprise as a style of economic behavior. The basis thereof is an orientation

toward traditional American socio-psychological values: dynamism, risk, individualism. The Japanese also are borrowing the American approaches, but modifying them appreciably with reference to their own national features. In this connection I would like to dwell on such a question as the organization and management of R&D.

The Japanese understand the danger of the scientist's anonymity, his attachment to the group and group conformism. An understanding of these problems is compelling them to adopt countermeasures aimed at individualizing scientific creativity. I refer to the promising technology research program. The projects pertaining to this program are given the names of leading scientists. They are inviting for participation in the projects specialists under the age of 35. Half of the financial rights to the patents which may appear in the course of realization of the project will belong to its leaders.

I.Ts. It seems to me that there will be no radical move beyond the framework of group conformism. The stimulation of research activity is connected primarily with a certain lifestyle, work conditions, the creative, intellectual content of labor, the degree of independence in work, prestige and the opportunities for professional advancement. But no more. Japan is "not threatened," in my opinion, by the appearance, crudely speaking, of wealthy research assistants who, standing out sharply against the general background, will receive big money for their research. The individual will be encouraged within the framework of some group. The results of his research, profit and the income which it produces will still, as now, be regarded as the organization's property.

A.D. That is, you see certain limits in the way of development of the fundamental component of the country's S&T potential?

I.Ts. I believe that the fundamental component will develop primarily within the framework of the group and that the motivation will be mainly group motivation. T. Ishomura, for example, says that now even major fundamental ideas are the result of people's activity side by side within the framework of a large organization, and it is this trend which will be realized in Japan. That is, the encouragement of the individual within the framework of the group and no further.

A.D. This is, of course, a contentious issue. I encountered the assertion that the "not invented here" syndrome is very strong in the country. Japanese specialists frequently gain recognition by having worked overseas, creating a name for themselves there. I see a further circumstance corroborating your viewpoint. Japanese experts, specifically Masanori Moritani, mention the fact that the current stage of S&T progress corresponds to the proclivities of the Japanese. He means the orientation toward miniature, exquisitely-made products. But at the same time, according to this viewpoint, the softization of

the economy, if it may be so put, requires individualization and an orientation toward some nonmaterial factors. Such an orientation is not typical of Japan.

At the same time, however, it is very important that there is a certain consensus in the country concerning the need for a stimulation of the creative potential of the Japanese.

The traditional weakness of theoretical research in Japan is the most complex problem for independent S&T development. The enhancement of the social prestige of the Japanese theoretical scientist and a restructuring of the higher educational system in the direction of a stimulation of the development of the students' creative capabilities are being cited among the ways to overcome Japan's lag in the sphere of theoretical science. Big hopes are being placed in new forms of the borrowing of achievements of overseas science.

The numerous victories of Japanese firms over American and West European competitors have forced the latter to change their attitude toward the traditional forms of technology transfer in the form of patents, licenses and knowhow. The Japanese are perceiving increasingly often a tightening of the access to S&T developments overseas. In this connection flanking maneuvers aimed primarily at obtaining the results of basic research are being undertaken. The most prevalent are the invitation of foreign scientists and specialists for work in Japanese research centers and the delivering of lectures; the financing and organization of international research programs; the financing of research in American colleges and small science-intensive firms in exchange for the right of commercial use of the results obtained. A number of Japanese scientists believes that the processes of the internationalization of science encompass primarily theoretical research and that for this reason it is at the present time more difficult for the United States and West Europe to isolate Japan from access to scientific achievements. As a whole, I am not disposed to categorically maintain that Japan will in the foreseeable future, in 15-20 years, say, be a second-rate power in the basic research field.

I.Ts. By no means. Mention may be made in this connection of the recently promulgated "human limits" program and much else.

A.D. This is a very striking example. Obviously, this program will be a most important S&T undertaking of Japan in the 1990's. Compared with other important government programs, it is distinguished by concentration on theoretical, basic research, the participation of practically all the most important government departments and an orientation toward the extensive enlistment of foreign specialists in its realization. The national and, possibly, international nature of the program will permit its comparison with Eureka or the SDI. There is undoubtedly a foreign policy goal here—doing away with the accusations on the part of the United States and

other Western countries that Japan finances basic research insufficiently, but avails itself of others' results. The economic goals are the creation of scientific process stock in the sphere of biotechnology, sixth-generation computers, new generations of robots, health care and ecologically clean industries with an eye to the 21st century.

I.Ts. The time has surely come, Aleksandr Aleksandrovich, to produce some kind of summing up, although, I fear that we have raised more problems than we have found answers. I shall submit for your judgment my conclusion. S&T progress today, wherever, is impossible without major changes in the organization of the economy. Japan is no exception. The paths of reorganization are not easy, and their consequences by no means unequivocal. Nonetheless, the Land of the Rising Sun is producing many examples of efficient adaptation to the present conditions of production, the market and S&T activity. Much in the Japanese experience of economic organization reflects the objective requirements of the growth of the productive forces of an industrially developed country.

A.D. I agree. I would like to briefly add that in the past 20 years Japan has accomplished a powerful S&T leap forward, orienting itself mainly toward civil production. The borrowing of foreign achievements has not become the borrowing of others' priorities and methods of their realization. Japanese principles of the organization of economic life cannot be seen in isolation from the general socio-cultural context and national specifics and traditions. Such is a basic procedural principle of the study of Japanese management in both the theoretical and applied aspects.

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Progress in Joint Venture Initiative Discussed
18160002e Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYYE OTNOSHENIYA in Russian
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[Text] Our readers are displaying great interest in how the process of the creation of joint ventures is going and what their prospects and problems are. Responding to these wishes, the editorial office is publishing two articles. The first was written as a reply to the question of V.I. Aksenov from Perm, the second, prepared by our Bonn correspondent, contains an exposition of the viewpoint of representatives of business and scientific circles of the FRG and also an analysis of Soviet-West German relations in this field.

First Steps

Economic relations between the socialist world and the capitalist world continue to develop, despite the incessant attempts of the West's reactionary forces to block intersystem economic cooperation. The events of the 1970's-1980's have confirmed once again the soundness of Lenin's words that "there is a force greater than the desire, will and decision of any hostile government or class, this force is general economic worldwide relations" (1).

The main sphere of the development of East-West cooperation has always been foreign trade. However, the processes of the worldwide division of labor are now carrying over directly into the production sphere also, going beyond the framework of traditional forms of exchange.

At the present time Western firms have put forward more than 250 specific proposals concerning the creation of joint ventures on USSR territory. Companies from Austria, Italy, the United States, Finland, France, the FRG, Japan and certain other countries are expressing interest in the organization of joint works in such spheres as chemical industry, machine-tool building, wood processing and the manufacture of consumer goods. The first ventures have already been created or agreements concerning their creation have been signed. These include (KHOMATEK)—a Soviet-West German venture whose participants are the Moscow Tool-Building Plant imeni Sergo Ordzhonikidze and the Heinemann Maschinen und Anlagenbaum company. The enterprise will be located in Moscow and as of January 1988 will begin the manufacture of products of machining centers and flexible manufacturing modules based thereon and flexible manufacturing systems employing robotics and sensor and laser technology. Some of the products will be sold abroad.

A protocol has been signed concerning the creation of the first Soviet-Japanese timber-processing enterprise. "Igirma-Tairiku" will produce high-grade lumber and export 70 percent of the product to Japan. A women's fashion clothing factory is preparing for launch in Estonia in conjunction with the Finnish (Kati-Myunti) company. Joint ventures will also be created for the manufacture of varnishes and paints and chemical and petrochemical products. Agreements have been prepared with partners from Italy on the creation of nonferrous metal scrap treatment enterprises.

Joint ventures are arising not only in the production sphere. Thus an agreement is being prepared with the Finnair company from Finland on the modernization and subsequent joint operation of the Berlin Hotel in Moscow. A similar venture is to be created in Leningrad also with the participation of partners from Sweden. The first issues of the fashion magazine *Burda* in Russian have appeared, and work is continuing on the preparation of an agreement on the institution of a joint venture

with the participation of "Vneshtorgizdat" and the Burda Moden firm (FRG). The first joint venture in the public catering field—the "Delhi" Soviet-Indian restaurant of Indian national cuisine in Moscow—has been opened. It is anticipated that at the end of 1987 approximately a dozen joint ventures with the participation of firms of capitalist countries will have been created in the USSR.

The ideas of the attraction of "bourgeois capital" for the purpose of accelerating our country's economic development were first expressed by V.I. Lenin and were an integral part of the new economic policy which he formulated. A form of use of foreign capital was the creation of mixed companies, which appeared in our country in 1921. Among the first to appear were such ventures as "Persazneft," "Persshelk," the "Ragaz" Compressed Gas Russian-American Joint-Stock Company and the "Zhest-Western" Enamelware Russian-Austrian Joint-Stock Company. The "Russ-Angloles" with the participation of the British "Russangloles Limited" and "Russ-Gollandoles" with the participation of the Dutch (Altsius) company appeared in forestry.

The People's Commissariat for Foreign Trade, the Supreme Council of the National Economy and the Tsentosoyuz established in conjunction with the entrepreneurs P.B. Shteynberg and V.I. Tomingas the Joint-Stock Company of Domestic and Export Trade in Hides ("Kozhsyrye"). The Russian-German "Rusogerstroy" Joint-Stock Company was created in construction industry. In agriculture, the Prikumy Russian-American Association. Mixed companies were also developed in transport, trade and other spheres.

Addressing the 11th Russian Communist Party (Bolshevik) Congress in 1922, V.I. Lenin observed: "We now have a number of mixed companies. They are very few, it is true.... There are now 17 companies with a multi-million-dollar capital approved by different authorities" (2). By the start of 1925 there were 64 mixed companies, and their share of exports amounted to 10 percent, of imports, to 5 percent. The Soviet side owned more than 50 percent of the shares.

V.I. Lenin saw the activity of mixed companies involving the participation of foreign capital as an opportunity to attract the additional material and financial resources necessary for the speediest restoration of the economy of the young Soviet republic. In addition, this opened extra channels for obtaining progressive equipment; permitted the borrowing of progressive experience of management of the industrially developed countries, of which there was an acutely perceived shortage at that time; and the expansion of the possibilities of the training of national skilled personnel. Finally, this also increased Soviet Russia's export opportunities also. Of course, the participation of foreign capital had to be paid for, but our country benefited also. "It is necessary to bribe capitalism with special profits," V.I. Lenin wrote. "If it derives

excess profit, good luck to it, with this excess profit we will acquire the basics with which we will become stronger, finally stand on our own feet and conquer it economically" (3).

Under current conditions Lenin's ideas have been further developed in the policy of the creation of joint ventures with Western firms on USSR territory. Naturally, the functioning of such ventures requires the solution of a whole number of problems, purely practical primarily. The participation of the socialist state ensures at the joint ventures socialist production relations within the framework of the nationwide form of ownership. The necessary and surplus product is produced and consumed for purposes determined by the main economic law of socialism.

The basis for the creation of joint ventures is the mutual interest in this form of cooperation of the capitalist firms and the socialist state. At the time of the creation of joint ventures the capitalist firms endeavor to broaden the sphere of their operation and derive benefits from cooperation with the socialist countries. The prospects for this are auspicious: the stability of the socialist countries' economy, the absence of crises and the comparatively slight reaction to the market fluctuations of the world capitalist economy; access to relatively cheaper raw material and fuel and power resources than on the capitalist market; the possibility of the exchange of experience in the assimilation of equipment and technology in a whole number of sectors of the economy.

The latter, of course, is an important specific factor attracting the socialist countries also to the creation of joint ventures on their territory. In addition, they have an interest in this form of cooperation to satisfy the requirements of the national economy and the populace for goods and services and an expansion of the export base in important modern spheres of production.

Certain socialist countries have in the last 10-15 years acquired practical experience in the creation on their territory of joint ventures with the participation of Western companies. This form of cooperation is employed to the greatest extent in China. The Joint Ventures Act appeared there in 1979, but by mid-1986 even 6,850 agreements had been signed on the creation of enterprises with the participation of firms of capitalist countries (4). The fact that Western companies are displaying no great interest in investing their resources in engineering, granting the joint ventures progressive technology and creating export industries calls attention to itself. In a number of cases the joint ventures are becoming strictly technologically dependent on supplies from overseas or are essentially performing the functions of assembly works directly tied to the enterprises of the capitalist partner.

Of the CEMA countries, the greatest practical experience in the enlistment of capitalist companies in cooperation in the form of the creation of joint ventures on its

territory has been acquired by Hungary. Such ventures with the participation of Western companies began to appear here in 1972, and by 1986 there were approximately 280 of them. As of 1982 joint ventures have come to be created in so-called "duty-free zones," to which the rules of customs dues operating in the country do not extend. The joint ventures in these areas have accounts in convertible currency, all transactions are made in this currency, and the ventures are exempt from the binding rules regulating enterprise income, wages and pricing of the manufactured product.

Joint ventures on Hungarian territory function in chemical and light industry, pharmaceutical industry, production of construction materials, agriculture, tourism and banking. Firms of Austria, the FRG, the United States, Sweden, Switzerland, Great Britain, Japan and a number of other countries act as partners. The foreign companies participate in the assets of the joint ventures primarily by supplies of machinery and equipment and also knowhow and the granting of monetary resources, the Hungarian side, by the transfer of real estate and monetary resources.

The first joint ventures in the banking sphere have appeared in Hungary. The largest bank with mixed capital in Hungary is the Central European International Bank with a capital stock of \$20 million which was set up in 1979 in Budapest. Its shareholders are the National Bank of Hungary (34 percent) and 6 foreign banks, each of which owns 11 percent of the stock: Banca Commerciale Italiana (Italy), Bayrische Vereinsbank, Muenchen (FRG), Kreditanstalt Bankverein (Austria), Longterm Credit Bank and Toyo Kobe Bank (Japan) and Societe Generale (France). The Central European Bank is not a part of the state system of banking institutions, and its functions are connected predominantly with extending credit for exports and export production. The interest rate is determined at the level of world interest rates; credit is extended only for transactions which yield 70-80 percent proceeds in foreign currency; the credit has to be paid off within 3 years.

Citibank (Budapest) with its own capital of approximately \$10 million began its activity in 1986. The National Bank of Hungary owns 20 percent of its stock, 80 percent belongs to Citibank (United States). The main function of Citibank (Budapest) is the extension of short-term credit for Hungarian exports.

In 1986 a law on the formation of joint ventures was enacted in Poland. However, so-called "Polonais" enterprises have been functioning for a number of years in this country. These are mainly small foreign enterprises created by persons of Polish origin predominantly in the service sphere. Bulgaria and Romania have certain experience of the creation of joint ventures. The creation of joint ventures has been authorized in Czechoslovakia, Vietnam and Cuba.

The position of all socialist countries in respect of this new form of economic cooperation with the West is determined by a general aspiration to its development and transition to a long-term, firm footing. However, experience testifies also that this new sphere of intersystem economic relations is not only broadening the prospects of mutually profitable production cooperation but could entail negative consequences for the socialist economy.

The danger emanates from the aggressive nature of capital itself and its intrinsically inherent aspiration to unlimited expansion, the undermining of national sovereignty and the subordination to its own interests of other countries' economic development. A balanced approach to the creation of joint ventures with capitalist firms with unfailing regard for accumulated experience—both positive and negative—is essential to avoid undesirable consequences for the socialist economy.

Position of Scientific and Business Circles of the FRG (Yu. Yudanov)

The problem of the creation of joint ventures on Soviet territory remains at the center of the attention of the FRG public. It has not only an economic aspect but also extensive social and political repercussions and is seen at times as a new form of "intellectual challenge from the East".

At the same time, however, the overall interest in the creation of joint ventures has diminished somewhat, and hesitation and doubts as to the efficiency of this form of production cooperation have increased. Although sufficient proposals have already been received from Western firms (from the FRG included) pertaining to the creation of joint ventures, the main group of our industrial partners is adopting a guarded, wait-and-see position. It may be considered that the initial period of a kind of "company promotion euphoria" is developing into a phase of practical discussion of the common goals and specific directions of joint production activity.

Talks with representatives of business and scientific circles and executives of various government organizations and an analysis of the material of numerous symposia and publications make it possible to distinguish the principal points of this problem.

Assessment of Business Circles

The decision to create joint ventures with the participation of Western capital on Soviet territory was greeted with manifest interest and approval in business and scientific circles of the FRG. The entire set of problems connected with this is being discussed actively, and the goals which the Soviet Union is pursuing in the realization of such a large-scale undertaking are being specified.

In the opinion of the majority of West German specialists, the main task of the creation of joint ventures is to support the structural reorganization of the Soviet economy. "Joint ventures may be regarded as an instrument making it possible on the basis of partnership with Western firms to undertake the modernization of the Soviet economy," the weekly *Wirtschaftswoche*, organ of West German business circles, writes (1).

At certain stages of development the task has been tackled with the help of various forms of foreign economic relations—via trade, economic and production cooperation, S&T cooperation and so forth. All these types of foreign economic relations have been accompanied by "passive imports of capital" (in the form of loans and credit) since it is on this principle that the practice of the functioning of the world market is based. But this has led to an increase in international indebtedness, and the main goal—modernization of the economy—has not been achieved in many indicators.

The extensive introduction of the new type of foreign economic relations—the creation of joint ventures—signifies a transition to active imports of capital in production form. This affords an opportunity for halting the growth of international indebtedness and integrating Western technology in the process of the ongoing structural reorganization. It was not fortuitous that the organ of the German Economy Institute observed that "the Soviet initiative pertaining to the creation of joint ventures is an element of the program of modernization of the economy" (2).

The majority of West German experts and representatives of business circles incorporate in the modernization of the economy concept a very extensive range of problems. It is a question not only of the application of new equipment and technology, the formation of modern sectoral structures and new progressive production systems. Decisive significance is attached to modern control of production (management) based on the principles of analytical accounting, effective financial autonomy, a multilevel product marketing model and preparation of the corresponding market. It is believed that it is these most important forms of production management which have not been duly developed in the Soviet economy. Managers oriented previously predominantly "toward quantitative indicators are hardly capable of thinking efficiently in production cost categories," F. Christians, a Deutsche Bank executive, believes (3).

The problem of the main focus of the process of modernization of the Soviet economy is interpreted by no means unequivocally in the FRG. The stereotyped thinking of the Western businessman who does not accept the main goal of socialism—a rise in the working people's living standard—operates, as a rule. Highly pragmatic conclusions are drawn—modernization of the economy is necessary to the Soviet Union solely for success in export expansion on world markets.

This concept was expounded by representatives of business and scientific circles of the FRG at the second international managers seminar on 15 May 1987 (Erftstadt) in a debate following my report. The essence of the arguments amounted to the construction of a three-phase model: joint ventures—Soviet export-oriented firms—the world market. In accordance with this outline, Prof H. Simon, leader of the seminar, believes, the product of the joint ventures will go primarily to the major Soviet enterprises which have acquired the right of independent outlet onto world markets (approximately 70 enterprises) and which already have experience of overseas activity.

Supplies of products (based on agreements with regard for specific requirements) will prepare a qualitatively new base for these enterprises' concentrated export expansion in certain "segments" or "niches" of the world market. For example, varnish and paints of the joint venture with the British ICI company are to go to the "VAZ" automobile association, which already has a certain reputation on Western markets, but which is forced to use imported paints. The use of diesel engines made in conjunction with Volkswagen is possible analogously.

However, a more simplistic interpretation—joint ventures are necessary to the Soviet Union for the manufacture of products for export and for obtaining convertible currency—is predominant. Such attempts, the journal *Wirtschaftswoche* believes, are being made constantly with varying success by other socialist countries also (4).

The participants in a scientific forum organized by the Adolf Weber Stiftung research association (February 1987), for example, supported, as a whole, the search for new forms of foreign economic relations between the countries. But at the same time they also expressed concern that the Soviet Union intended with the help of the joint ventures to provide mainly for the acquisition of convertible currency on Western markets. Prof A. Gutowski, president of the Hamburg Economic Research Institute, questioned the strategic policy being imputed to each joint venture of "acquiring currency on foreign markets". He had the impression that attempts were being made to realize the concept of "external financing of the modernization of the economy" (5).

By "two-phase model" is understood the creation of a joint venture whose product will be export-oriented directly. This "model" is encountering the highly skeptical attitude of the majority of FRG businessmen. In principle, they believe, joint ventures could supply their products to Western markets and obtain currency proceeds, but this is highly problematical, at least in the period of formation of the joint venture. It is essential to reach the level of the requirements of modern marketing (adaptation of the products to changing market demands, quality, delivery deadlines, financing and after-sale servicing), which is hard to expect of enterprises being commissioned for the first time. In addition,

a kind of "enclave version" of the development of such joint ventures (exclusively export-oriented) would contribute to a lesser extent to the solution of the main problem—modernization of the main sectors of the Soviet economy.

The opinion exists that the flexible use of legislation on the procedure of the joint ventures' creation and functioning is essential to ensure their effective impact on the process of structural reorganization of the economy. "Joint ventures, as the most progressive form of cooperation between enterprises, also represent the most efficient way of transferring production technology and managerial experience," *Sued-deutsche Zeitung* observes (6).

The diversity of the cooperation relations which exist in world practice is compelling an orientation not toward the "series production" of joint ventures but the realization of individual specific projects, considering all the possibilities and particular features of the partners. The new Western technology and modern management may be rationally assimilated under conditions which are customary for themselves. Otherwise their impact on the modernization of the economy could diminish appreciably.

And, finally, business circles with long-standing relations with the Soviet market emphasize the benefit of current paths of cooperation. They pay particular attention here to the need for the more efficient use of the evolved traditional forms of production cooperation (the most viable joint ventures will subsequently arise on this basis). Following his return from the international forum in Moscow and participation in a "roundtable" on economic problems (February 1987) O. Wolf von Amerongen, president of the FRG Association of Chambers of Trade and Industry, declared that "the Soviet side has paid too much attention to joint ventures". In his opinion, "current economic problems cannot be discussed predominantly through the prism of joint ventures" (7).

The process of modernization of the Soviet economy is developing within the framework of general world-economic trends, and its efficiency may increase from the direct and immediate impact of foreign economic relations. This may be ensured by way of the increased intensity of the yield of traditional forms of cooperation, whereas joint ventures will have an appreciable impact on the structural reorganization of the economy only when a certain scale of prevalence has been achieved.

So, the problem of the creation of joint ventures on the territory of the Soviet Union is seen by business and scientific circles of the FRG as an important prospective form of economic cooperation. Its successful realization could contribute to an acceleration of the process of modernization of the Soviet economy. This would create the prerequisites for a new stage of economic relations between the two countries and removal of the imbalance in the sectoral structure of exchange transactions. A

strengthening of the basis of economic cooperation could be a most important factor of the transformation of international relations in Europe.

Incentives

Among the multitude of factors and motives prompting Western partners to take advantage of the new form of economic cooperation considerations of a social and political nature and also economic factors providing advantages for individual industrial firms must be distinguished.

Considerations of the first sequence were expressed in a publication of the German Economy Institute. It says that "West German firms with great experience of the creation of joint ventures in many countries have a positive attitude toward the Soviet Union's proposal promoting the further development of the process of the greater 'openness' of the Soviet economy" (8). In a special Sunday broadcast (22 March 1987), to which the leader invites foreign correspondents, the well-known West German journalist W. Nette called on Western countries to respond positively to the new "intellectual challenge" from the East. The Soviet proposal concerning the creation of joint ventures was seen as a further step toward the strengthening of mutual trust: "the first pilot projects in engineering, for example, should be drawn up in order to formulate a new practice of cooperation".

M. (Made), director of the Burda firm, which was one of the first to announce a desire to create a joint venture on Soviet territory, said during our conversation that the decision was made "without a clear idea of the scale of potential profits". Under the conditions of the growing interest in the Soviet initiatives the firm supported the new idea for prestige considerations—"to enhance its own reputation".

The social and political frame of mind in favor of new forms of cooperation with the socialist countries is having a certain impact on individual firms' decision-making. However, the majority of industrial companies considers primarily when elaborating the strategic concept the specific benefits arising from the creation of joint ventures compared with the current traditional forms of foreign economic relations.

An analysis of the various viewpoints on this question expressed by representatives of business and scientific circles during our talks and discussions makes it possible to unite them in three main groups. An aspiration with the aid of joint ventures to become more soundly entrenched in a big and promising sales market shows through clearly first of all. It is a question of the concentrated industrial and not simply foreign trade assimilation thereof, which, as is known, is to a large extent subject to the influence of a multitude of market, economic and political factors. Joint ventures integrated

in the national economy are a more stable base for a permanent presence on the market, which is of decisive significance in the system of the strategic planning of the majority of capitalist firms.

Joint ventures have clear advantages over other forms of economic cooperation. As distinct from licensing agreements or production cooperation, they afford the Western partner considerably more opportunities for influencing the nature of production and the formation of a sales market.

The second group of motives is connected with the aspiration to adapt more efficiently to the permanent process of reduction in the "product life cycle," which is frequently limited to 3-5 years. Under conditions where essentially new products are regularly being removed from production since the technology and engineering base for the manufacture of the latest products is ready it is essential to have one's own production rear where manufacture of the replaced product is still possible. This practice is employed by the majority of West German firms inasmuch as it makes it possible to cater for the needs of various sectors of the world market depending on the advancement of individual countries along the path of S&T progress.

The proportion of overseas production grew particularly in the last decade. Direct investments of West German firms overseas almost tripled (from DM43.5 billion in 1975 to DM131.1 billion in 1985), which testifies to the growth of the process of the formation of particular production rears. As the *Frankfurter Allgemeine* put it, with the help of "participation in the capital of foreign firms it is possible not only to become soundly entrenched on the sales market but also make better use of it" (9).

Finally, joint ventures afford an opportunity for enhancing the efficiency of the international division of labor for a reduction in intrinsic production costs. In transferring the manufacture of the most labor-intensive products overseas a firm concentrates efforts in the most critical and technologically complex areas. But such production cooperation is most rational only when it is underpinned by participation in the capital of the partner (the successful experience of the cooperation activity of Japanese firms in the countries of Southeast Asia testifies to this). An FRG federal Ministry for Economics memorandum (of 7 August 1986) said that the creation of joint ventures was laying a new basis for the more effective activity of production cooperation.

This is particularly important for small and mid-sized specialized firms. Legislatively enshrined production relations within the framework of joint ventures create a firmer foundation for the entire system of such firms' strategic planning for they feel changes in the volume of export transactions more painfully than large enterprises. This idea was expressed repeatedly at the time of our discussions with executives of mid-sized tool-building firms of the FRG (Traub, Trumf and others) with

traditional relations with Soviet organizations. Inasmuch as in the USSR's economic strategy the main emphasis is shifting toward the modernization of operating enterprises "cooperation in the form of joint ventures could be particularly promising for mid-sized and small specialized firms with considerable experience in this sphere" (10).

Objective factors prompting Western firms to the organization of joint ventures are undoubtedly creating a propitious basis for the long-term development of this new form of joint-labor cooperation. However, the possibilities of its efficient realization and the scale of application will depend to a large extent on specific conditions and legislative provisions determining the nature of the activity of the joint ventures which are formed. Ultimately the formation and development of joint production activity is possible only given mutual interest.

Basic Wishes

Joint ventures on Soviet territory—a new form of production cooperation—are gradually becoming a reality. The decree on the procedure of their activity promulgated at the start of 1987 evoked great interest. More than 200 proposals concerning their intention to participate in joint ventures have already been received from Western partners (including the FRG also).

The opinion exists in business and scientific circles of the FRG that it is perfectly possible without any special efforts to conclude several dozen or hundreds of joint venture agreements. Many traditional partners of the Soviet Union are prepared to take such a step. The importance of the preservation of good relations with a dependable partner and prestige considerations could prompt firms to join in pilot projects.

Conversations with the management of the *Messemagazin* journal (6 May 1987 in Duesseldorf), which analyzes questions of the economic relations of the USSR and the FRG, showed that there is very great interest in these problems. Approximately 6,000-7,000 West German firms regularly familiarize themselves with the articles of the journal (in any event, the journal is regularly sent to this many addresses). Mid-sized and small specialized firms could play a particularly pronounced part. They have, the journal *Wirtschaftswoche* believes, sufficiently "flexible management" for responding rapidly to the conditions of each individual project (11).

But progress toward a broad range of partner relations is necessary for the process to be of larger scale and for it to be able to contribute to the achievement of the main goals of acceleration of the USSR's socioeconomic development (modernization of the economy, export diversification, reduction in irrational imports). Hundreds and

even thousands of West German firms displaying an interest in economic cooperation with the Soviet Union could be included in the new form of production cooperation.

Whence the need for a precise determination of the sum total of the Western partners' expectations and complaints. It is important to determine a system of priorities in order, at the time of the subsequent elaboration of legislative provisions to respond more flexibly to the specific conditions of the activity of the joint ventures and take account to a greater extent of the Western partners' motives. It is the scale of the application of the progressive form of production cooperation which could prove the decisive factor of the transition of Soviet foreign economic relations to a qualitatively new condition.

Not without interest in this connection are the arguments of *Handelsblatt*, organ of the FRG's business circles (12). Experience shows, the paper writes, that joint ventures may be created in practically all countries, but the scale of their prevalence does not always satisfy the host country. First of all, the general conditions of the formation of joint ventures may be insufficiently propitious in a specific country. A second difficulty is connected with a certain "state of isolation" (capitalist islets, as it were, in a socialist sea), which prevents the establishment of efficient cooperation relations with local producers. And, finally, constant supervision of their activity fettering entrepreneurial initiative.

Western industrialists have displayed great interest in the decree on the procedure of the activity of the joint ventures. "Moscow's initiative has been welcomed particularly actively by firms of the FRG, which are, as is known, the Soviet Union's first Western partners," a publication of the German Economy Institute observes (13). But an analysis of the basic provisions of this document, FRG business circles believe, testifies to the need for further clarification.

It is a question of determination of the main sales markets of the joint product and the possibilities of the free transfer of profits, the conditions of the assured profitability of joint production, the possibilities of independent activity and the nature of relations with the supervisory organizations and the stages of the formation and sectoral orientation of the joint ventures.

According to entrepreneurial logic, it is expedient to form joint ventures only given conditions conducive to the sale of the products and the earning of profit. As F. Christians observed, initially it is necessary to determine what product should be produced for which markets (14) and then to specify the ways and methods of deriving the maximum profit. It is for the sake of this goal that businessmen are displaying an interest in participating in the joint ventures.

The possibility of a direct outlet onto the Soviet domestic market should be considered a principal motive of West German partners for the formation of joint ventures, the journal *Ost-West-Commerz* writes. A most important prerequisite of the successful activity of the joint ventures is "the possibility of realization of products and services mainly on the Soviet market," a work of the German Economy Institute emphasizes.

It might have seemed that such an approach of West German industrialists would have corresponded to the basic provisions of the decree on the procedure of the activity of joint ventures on Soviet territory (their primary task is "fuller satisfaction of the country's need for certain types of industrial products, raw material and foodstuffs"). However, the absence of additional clarification concerning the mechanism of the sale of products on the domestic market and the transfer of income in rubles to the mother company is giving rise to differing interpretations.

Many representatives of business and scientific circles believe that although the decree contains no direct compulsion to export products of the joint ventures, it ensues from the essence of other basic provisions of this document. The problem of sales on the domestic market is studied with regard for two factors. Inasmuch as the mechanism of the sale of products under the conditions of the capitalist and socialist planned economy differs appreciably, certain guarantees are essential. But the decree makes no mention of product sale guarantees. The second factor pertains to the mechanism of the transfer of profits from the sale of products on the domestic market. "The opinion exists that all income in rubles should remain within the country," *Handelsblatt* writes, "and that transfers to the mother companies may be made only from the portion of profit which is obtained from export activity". It was not fortuitous that the paper observed that "a legal guarantee" appeared with the publication of the decree, but "a product sale risk" has arisen (16).

This situation could prove particularly painful for small and mid-sized specialized firms. If all that is obtained from the sale of the joint product on the Soviet market has to remain within the country, the problem of "forgoing the self-growth of one's own capital" arises. The compulsion to "currency self-financing" appreciably limits the possibilities of the activity of the joint ventures, and only a small number of projects, local experts believe, will really interest West German businessmen.

During a conversation (10 June 1987 in Cologne) with Dr O. Vogel, an executive of the German Economy Institute, on the currency aspect of the activity of the joint ventures he set forth the German approach to their solution. If a "latent incentive to export" is brought about by the need for the speediest receipt of Western currency, it is necessary to display greater flexibility in the approach to determination of the basic priorities of each specific group. Thus, for example, joint ventures in

the sphere of tourism or in sectors in which the rapid commercialization of some Soviet S&T developments unusual for the West is possible are capable of very quickly selling their services and products on world markets and ensuring currency receipts.

Another group of joint ventures connected with the production of products for the domestic market and the modernization of the Soviet economy should not be oriented predominantly toward exports. They would ensure their contribution to the solution of the currency problem by way of a reduction in irrational imports of Western technology, on which appreciable currency resources are spent constantly. The export orientation of this group of projects is not rejected, but this stage could come following a lengthy preparatory period. In the opinion of Doctor Buescher, an executive of the department of economic relations with socialist countries of Siemens, this period could in the high-technology sectors last 10-15 years. In our conversation he emphasized the need for the successive assimilation of the basic stages of products' outlet onto the world market.

The thoughts expressed during a discussion with G. Thor, a director of Russia House (this organization was formed by FRG businessmen to stimulate the development of economic relations with the Soviet Union), merit attention also. In order to ensure the greater export orientation of the joint ventures on Soviet territory, G. Thor believes, it is necessary to provide for the possibility of the organization of similar joint ventures in countries of the Western partners (where the controlling block of shares is to be held by these partners). Use of the principles of "mutually enriching synergism" would permit the establishment between them of production cooperation of a new type, whereby export supplies of component products from the Soviet joint ventures for currency to a similar joint venture on the territory of the Western partner are possible. Under these conditions the process of the introduction of joint products on world markets could proceed less painfully.

The profitability of joint production depends, as is known, on many factors, intrafirm, sectoral, national and so forth included. When discussing intraplant factors of profitability, business and scientific circles of the FRG usually express concern at what they take to be a violation of the very idea of joint partnership contained in the joint ventures concept for, according to the decree, the Western partner becomes a "junior companion" in terms of proportional participation in the capital, management and taxation even. The entire concept of intrafirm profitability, the newspaper *Handelsblatt* writes, turns on the problem of "observance of the basic rights of the junior Western partner" (17).

A number of questions arise for partners from the FRG. Primarily, how is it possible to ensure a high level of the production and quality of products of joint ventures based on Western technology if two main executive positions have to be held by Soviet managers lacking the

necessary experience in this sphere? Who will maintain the necessary regimen of production activity and how and what are the possibilities of maneuver in the sphere of wages and composition of the production personnel? It is a question of possibilities of the realization of an efficient Western model of production under new conditions. For this it is essential, the majority of those with whom I spoke believes, to delineate general and production-engineering management and transfer to Western management the solution of problems for the sake of which the joint ventures are in fact being created.

Dr G. Giesecke, leader of the Foreign Economic Department of the Association of Chambers of Industry and Commerce of the FRG, observed in conversation with me that it is important ensure the decisive influence of the Western side in the organization of the profitable production of high-grade products and the principles of production logistics. As far as the proportional participation of Western partners in the capital is concerned, it is even more beneficial for them sometimes to remain the "junior companion" and to use the uninvested part of capital for participation in other joint ventures.

From the intrasectoral angle the main problem for the joint ventures, Doctor Buescher believes, is relations with the local sub-suppliers of component products. Finding a method of creating joint efficient management is possible at individual enterprise level. But how to select the necessary sub-suppliers and ensure the possibility of their replacement under the conditions of socialist management? The exclusion of the joint ventures from the system of planned relationships could harm their activity.

On the other hand the realization of all transactions on the domestic market via Soviet foreign organizations deprives the joint ventures of the possibility of adopting flexible decisions in relations with direct partners. An endeavor to "drive them into enclave isolation" could lead to disruption of the normal activity of the market mechanism, a loss of profitability and, consequently, conversion of the joint venture into a "risky project".

The national factor of profitability reflected in the taxation system secures the Western partners' rights insufficiently, FRG business circles believe. According to the decree, tax is levied on them twice—30 percent of total profits and 20 percent upon transfer abroad. "A completely negligible advantage compared with the level of taxation in the FRG," *Handelsblatt* observes (18). It is believed also that the system of taxation is insufficiently differentiated and takes insufficiently into consideration the singularities of the sectoral orientation of the joint ventures, the difficulty of the formative period and so forth.

Determination of the main sectoral directions and stages of the formation of the joint ventures is being queried. In the opinion of representatives of business and scientific circles of the FRG, the most promising areas of joint

production activity are engineering and chemical industry (it is these sectors of West German industry which represent the country most substantially on world markets).

At the same time many people are inclined to believe that it is necessary to start with the infrastructure and also the light industry and agro-industrial sectors since the comparatively rapid achievement of specific results is possible here. As far as the industrial sectors with complex technology are concerned, "it is expedient first to create small pilot projects, and not in the production sphere but in the field of engineering," the journal *Wirtschaftswoche* observes (19). The so-called stadal concept of joint ventures, the basis of which is the idea of the gradual growth of conventional production cooperation into joint production activity via servicing and engineering, is prevalent.

Doctor Buescher explained this concept in conversation with me as follows. A "three-phase model" is necessary for the creation of joint ventures in technologically complex sectors (electronics, for example). First the joint servicing of imported equipment produced at the main enterprises of the future Western partner is set up (such a technology center has already been created by Siemens in the Soviet Union, but is not working efficiently as yet). A joint engineering firm for the design and commissioning of production facilities is then founded. Finally, joint production activity begins. "Experience shows that it is usually about 4 years from the creation of joint ventures in the production sphere to the manufacture of the joint product" (20).

Particular attention is paid to the preliminary phase of preparation for the creation of joint ventures, primarily negotiations directly with the future partner, which makes it possible to practically determine the scale and structure of production of the companion and the infrastructure. Great significance is attached to personification of the negotiations, that is, progress toward the particular circle of persons capable of adopting responsible decisions. The process of preparation for the creation of joint ventures is seen as an important stage of the future efficiency of joint production activity. Reports have appeared in the local press that at the meeting of NATO economic experts in Ottawa (January 1987) the majority concluded during discussion of the Soviet terms for the creation of joint ventures that they were significantly worse than had been anticipated proceeding from the preliminary negotiations (21).

Modern business practice presupposes the thorough discussion of the basic terms and specific features of any deal, particularly in cases where it is a question of large-scale and long-term projects, which joint ventures may be considered to be. An endeavor to achieve the conditions the most conducive to entrepreneurial activity is in the nature of things, the more so when the initiative pertaining to new forms of cooperation emanates from the partner.

The success of the new undertaking will depend to a decisive extent on the desire and opportunities of the Western partners to be active participants in this process. Attempts to set aside the main group of expectations and complaints being advanced by Western companions could have a negative impact on the entire set of mutual relations under the conditions of the new form of production cooperation. Available experience is already sufficiently convincing testimony to this.

Experience of Other Socialist Countries

In the last decade the majority of socialist countries has endeavored to create joint ventures with Western partners to facilitate the assimilation of modern Western technology and increase the competitiveness of their production capacity. As distinct from previous forms of foreign economic relations, such technology imports do not require additional financial resources.

H. Bischof, research associate of the Friedrich Ebert Stiftung, explains the certain guardedness of Western partners in relation to the joint ventures mainly by differences in the social and economic structure. Experience shows, he believes, that for the purpose of economies in currency the socialist countries are endeavoring to limit supplies of components from enterprises of Western partners if their manufacture can be organized within the country. But inasmuch as the production of such products is not a part of the planned system, they are not always supplied within the stipulated timeframe. Another problem is the absence of a sufficient number of skilled production personnel. In addition, the Western partners are endeavoring to sell the product of the joint ventures mainly on the local market, the socialist countries, on the other hand, intend orienting it predominantly toward a foreign market with convertible currency. However, H. Bischof concludes, as the economic reforms are realized, the conditions of the activity of joint ventures in the socialist countries are improving (22).

In Hungary, for example, only four joint ventures were set up in the decade following the enactment in 1972 of the decree on the creation of joint ventures. Then changes and additions to the decree followed (1977, 1979 and 1982): the restrictions on the level of the wages of local personnel were lifted, the free transfer of profits was introduced, participation of Western capital over 49 percent was authorized, special tax-free zones for joint ventures were created and so forth. In 1985 the number of joint ventures had risen to 35. A system of the granting of so-called "venture capital" has come to be employed for the first time: the Western partner's contribution to the joint venture is made by Hungary's Foreign Trade Bank, and in the event of successful activity, it is redeemed by the Western side.

A further addition to the decree on joint ventures took effect in January 1986. Specifically, there has been an appreciable reduction in taxes in electronics industry

(the first 5-year period, no taxes at all, the next 6 years, 20 percent) and the hotel sphere (the first 5 years, 20 percent), the return of a certain amount of tax in the event of partial reinvestment of profits is provided for and so forth. A technology park in Veszprem, which affords small and mid-sized Western firms an opportunity to use an already finished production structure, began operation in April 1986 to facilitate the creation of joint ventures. An agreement was signed on 30 April 1986 between Hungary and the FRG on the protection of foreign investments. Seventy joint ventures are operating in the country, including 19 with the FRG. Negotiations are being conducted on the conclusion of new agreements based on 300 operating production cooperation agreements.

The practice of the creation of joint ventures with the capital of Western entrepreneurs of Polish extraction, mainly from the FRG, has existed in Poland since 1972. In mid-1986 there were 680 "Polonais companies" employing a total number of approximately 53,000 persons. In April 1986 a law was enacted on the creation of conventional joint ventures, but Western partners consider it unpropitious.

Joint ventures have become considerably prevalent in Yugoslavia (the act was adopted in 1967). More than 200 joint ventures were operating in the country at the start of the 1980's (the sum total of Western capital was 220 million dinars). However, by 1984 economic conditions in Yugoslavia had deteriorated appreciably, and their number had declined to 186 (the capital had diminished to 122 million dinars). The terms of the transfer of profit were relaxed, the proportional participation of Western capital was raised and so forth in 1985, which led to a growth in the number of joint ventures to 304.

The most auspicious conditions exist, Western specialists believe, in China (the 1979 act). The creation of enterprises with 100-percent foreign participation is authorized, preferential tax terms operate, the transfer of profits is permitted and so forth. According to the Western press, agreements have been signed on the creation of 2,700 joint ventures (the approximate sum total of Western capital being \$18.2 billion), however, only one-third approximately (capital of \$4.6 billion) has been realized (22). There are also other estimates of the number of joint ventures and agreements on the investment of capital—3,000 and \$16 billion (24). Joint enterprises from 30 states (including the United States, Japan and the FRG) operate in the country.

For the first time since the proclamation of the "open door" policy there was a decline in 1986 in the influx of foreign investments. Some 1,400 agreements were concluded (500 fewer than in the preceding year) on the creation of joint ventures and other forms of cooperation totaling \$3.3 billion—50 percent less than in 1985 (as practice shows, approximately one-third of the agreements which have been concluded will be realized).

Western businessmen believe that the "open door" policy in China is beginning to acquire new aspects. The influence of party and state authorities on industrial-engineering decision-making is growing, which is reflected in the scale of the activity of the joint ventures. A new legislative decree enacted at the end of 1986 is geared mainly to the creation of more favorable terms for enterprises in the technically progressive sectors and those working for export (full tax exemption when transferring profits obtained in currency from the export of products and so forth) (25).

At the same time, however, the main strategic line in the field of joint production activity is beginning to show through increasingly distinctly. A representative of the Chinese Research Institute stated at a meeting in London that joint ventures which introduce progressive technology and are export-oriented would be encouraged. Joint ventures endeavoring mainly to take advantage of cheap manpower and sell their products on the domestic market are undesirable (26). Describing the new features of investment conditions in China, a West German businessman said that "it is now endeavoring to obtain profit not together with us but at our expense" (27).

The impression is that the initial stage of the "turbulent promotion of joint ventures" is coming to an end in China. The scale of this process assumed significant proportions (several thousand operating joint ventures in practically all sectors of the national economy). The second stage of joint production activity, when the most propitious conditions in the priority areas are being created, is approaching. It may be assumed that the process will be quite efficient. But much will depend on flexibility in the realization of this strategy.

The conviction is taking shape in business and scientific circles of the FRG that the decree on the procedure of the activity of joint ventures on Soviet territory lays a positive foundation for joint production activity; that the Soviet Union is prepared to display great flexibility and pragmatism for the effective solution of problems which arise inasmuch as success will depend to a decisive extent on the achievement of mutually acceptable conditions. This readiness is spoken of constantly by O. Wolf von Amerongen. Upon his return from the international forum in Moscow he declared that a businesslike discussion had been conducted "without heightened emotions and propaganda" (28).

Introduction of the new form of economic relations presupposes a lengthy and multilevel process based on experience which has already been accumulated. Its results could begin to have a practical impact on the basic indicators of economic cooperation only when a certain amount of time has elapsed and joint production activity has assumed the necessary dimensions (it is believed that it will be a question of 20,000-30,000 joint ventures). For this reason particular importance is attached to the initial period, when a flexible model of

interaction, which could subsequently be made the basis of model agreements on the procedure of the activity of joint ventures, is being worked up.

Footnotes

1. *Wirtschaftswoche*, 20 February 1987, p 51.
2. *Informationsdienst des Institut der deutschen Wirtschaft* (IWD), No 51/52, 1984, p 6.
3. *Der Spiegel*, 23 February 1987, pp 144-145.
4. See *Wirtschaftswoche*, 20 February 1987, p 51.
5. *Frankfurter Allgemeine*, 21 February 1987.
6. *Sueddeutsche Zeitung*, 8 August 1986.
7. *Frankfurter Allgemeine*, 19 February 1987.
8. IWD No 51/52, 1986, p 6.
9. *Frankfurter Allgemeine*, 19 February 1987.
10. *Wirtschaftswoche*, 20 February 1987, p 52.
11. *Wirtschaftswoche*, 16 May 1986, p 66.
12. See *Handelsblatt*, 1 October 1986.
13. IWD NO 13, 1987, p 8.
14. See *Der Spiegel*, 23 February 1987, p 145.
15. See *Ost-West-Commerz* No 4, 1986, p 22.
16. *Handelsblatt*, 7/8 November 1986; 28 January 1987.
17. See *Handelsblatt*, 1 October 1986.
18. *Handelsblatt*, 28, January 1987.
19. *Wirtschaftswoche*, 20 February 1987, p 53.
20. *Wirtschaftswoche*, 16 May 1986, p 68.
21. See *Handelsblatt*, 28 January 1987.
22. H. Bischof, "Die Gemeinschaftsunternehmen (Joint Ventures)—osteuropäische Avancen zur Belebung des Westhandels," Bonn, 1986, pp 2-6.
23. *Der Spiegel*, 26 January 1987, p 132.
24. See *Pravda*, 4 January 1987.
25. *Handelsblatt*, 14 October 1986; 28 January 1987.
26. See *Frankfurter Allgemeine*, 10 April 1987.

27. Quoted from *Der Spiegel*, 26 January 1987, p 132.

28. *Frankfurter Allgemeine*, 19 February 1987.

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"Mirovaya ekonomika i mezhdunarodnyye

Currents Dominant in U.S. Republican Party
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MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 10, Oct 87 (signed to press 15 Sep 87) pp 93-100

[Article by S. Porshakov: "The U.S. Republican Party in the Mid-1980's"]

[Text] Appreciable changes have occurred in the 1980's in the correlation of forces between the two main bourgeois parties of the United States. In the grip of ideological tenets which have lost an actual connection with the times, the Democrats are experiencing a difficult period of search for new ideological reference points. The crisis processes which were growing in the party at the end of the 1960's have manifested themselves in full in the 1980's and led to a weakening of its political positions and the erosion of its mass base. It is a long time, on the other hand, since the Republican Party enjoyed such influence as in the present decade.

'Renaissance' of the Republicans

The strengthening of the positions of the "Grand Old Party" has been brought about by a number of factors. An important part has been played here by its renewal—both ideologically and organizationally. There has been an appreciable change in the content of the Republicans' program precepts. "Reaganism"—the ideology of rightwing conservative circles—has become the party's official doctrine. The Republicans have moved a considerable distance in practical activity from neo-Keynesian methods of government regulation, which they had applied quite extensively in the 1960's-1970's. Orienting themselves toward the mood of business, which has moved considerably to the right, and the well-to-do "middle class," they have displayed considerable flexibility and pragmatism: they have managed to completely retouch conservatism and make it more acceptable to broad strata of the population. This is largely the result of the fact that the present generation of party leaders has been able to overcome the age-old "ailment" of its predecessors, who concentrated the main efforts on the criticism of liberalism and, essentially, proposed nothing constructive in exchange. Having put on the agenda a whole number of catchy, politically winning demands (for the reform of the tax laws, an extension of the rights of the local authorities, the passing of an amendment to the U.S. Constitution concerning the mandatory balancing of the federal budget), which have met with a lively response among the electorate, the Republicans have for the first time in the past half-century, perhaps, seized from the Democrats the initiative in the ideological tussle.

The party's political style has acquired populist features which were little characteristic of it earlier: it makes active use of democratic slogans—condemns a variety of privileges, criticizes the increased power of the federal government and supports the increased role of the individual in the political process. Republicans are donning the garb of the guardians of "honest competition" and the defenders of the ordinary American against the tyranny of the state, the monopolies and "big labor," which are violating its rules. Conservatives are also borrowing from the ideological arsenal of populism its chauvinist aspects. They have demonstrated a capacity for conducting a dialogue with the ordinary voter on a broad range of day-to-day problems—consumption, the family, religion—at which earlier the Democratic Party was far more successful.

An important part in the theoretical substantiation of the "new conservatism" in the United States has been played by think tanks specializing in the field of foreign policy, economics, labor relations, sociology and law. The most important of them are the Hoover Institute of War, Revolution and Peace at Stanford University, the Georgetown University Center for Strategic and International Studies, the Institute of Contemporary Research, the Heritage Foundation and the American Enterprise Institute. They serve as consultative bodies attached to the upper echelons of the Republican Party and provide it with an influx of ideas.

A ramified network of political youth, women's and religious organizations, pressure groups, PAC's and civic associations has taken shape under the aegis of the party. Conservative ideas are propounded in numerous periodical publications.

Pronounced changes have occurred in the party's social base: while having preserved their own electoral corps the Republicans have succeeded in snatching part of the Democrats' electorate and winning over to their side the highly paid stratum of skilled workers of Anglo-Saxon origin, engineering-technical personnel, office workers, the young people, Catholics and Southerners. These groups of the voters have imparted new features to the appearance of the Republican electorate. Compared with the party's traditional supporters the "new Republicans" are more conservative in the moral-ethical sphere and occupy less rigid positions in the field of social policy and differ little from them on the question of the role of the state in regulation of the economy.

In the 1980's the Republicans have managed to win to their side the majority of so-called "independent" voters, that is, those who have no firm party allegiance and vote for the candidates sometimes of one, sometimes of the other party. At the present time it is their electoral behavior, as a rule, which determines the outcome of elections of various levels. White Americans constitute

predominantly the backbone of this group: office workers, students, men aged 18 to 35-40, people with a high income and education and Catholics rather than Protestants (1).

There has been somewhat of an increase in the number of the party's supporters in the U.S. negro community. Ideologists of "black Reaganism" have appeared here, among whom are, for example, the well-known economists G. Lowry, R. Woodson, T. Sowell and W. Williams. Their views are directly contrary to the traditional demands of the negro civil rights movement. They deny the need for welfare and quotas for racial-ethnic minorities in education and in employment and urge an increase in the stimulating role of competition. Among the negro population the conservatives rely on the support of a quite prosperous "middle class" of Afro-Americans—a growing social stratum, particularly in the Northeast states.

Demographic changes of recent years favorable to the Republicans have contributed to the strengthening of their positions: an increase in the relative significance in the electoral body of more conservative elderly citizens (as a result of the slowing of the birthrate in the country in the middle and latter half of the 1960's) and also the decline in the population of the large industrial centers of the Northeast and Mid-West—traditional bastions of the Democrats (owing to migration to the suburbs or the Sun Belt states).

Mention has to be made also of such an important factor of the Republicans' success as the traditional strength of their financial base. In the 1980's the influx of resources into party coffers has grown markedly. Thus whereas at the 1980 elections the budget of the party's National Committee constituted approximately \$25 million, it 1984, over \$60 million (2). The structure of the Republican Party's financial base has changed to a large extent. The main source of resources used to be primarily the subsidies of big business. While having preserved this source the Republicans have supplemented it with two others. First, they have adopted the so-called "direct mailing" method, that is, the distribution of propaganda material and the collection of donations per voter lists prepared in advance. Second, a number of small business organizations has been created, which are contributing considerable resources to party funds. The best-known of them is the Eagle Association (the country's official emblem) operating under the aegis of the Republican National Committee. Oil industrialists of Texas and Oklahoma are represented therein particularly extensively.

A marked stimulation has been observed in the 1980's of the party's international ties. As distinct from West European parties, neither the Republicans nor the Democrats had practically any such ties until recently. In conjunction with Japan's Liberal-Democratic Party and New Zealand's National Party the Republicans formed in 1982 the Pacific Democratic Alliance. In June 1983

they were a founder of the International Democratic Union—an association of bourgeois, conservative, center-right and Christian democratic parties of industrially developed states of the capitalist world. The Republican Party was the organizer of the second conference of this union (July 1985 in Washington) (3).

In November 1983 representatives of the Republican and Democratic parties, the AFL-CIO labor association and the U.S. Chamber of Commerce created the National Foundation for Democracy. Its main aims are the organization of cooperation with parties, unions and business associations of other countries and the implantation overseas of American values (4). A special body even—the Foreign Affairs Institute—has been formed within the framework of the Republican Party.

Behind the Facade of Relative Well-Being

Despite the political surge of the Republicans, they are, as before, encountering a number of serious problems—both old and new.

The impression one gets is that the Republicans have exhausted the reserves of an expansion of their influence in the electoral body and that it is becoming increasingly difficult for them to retain popularity in broad strata of the population. The results of the 1986 mid-term elections testify to this: the party lost control of the Senate, which it had had since 1981 (55 Democrats and 45 Republicans were elected to the upper house in its new composition) and has, as before, a minority in Congress' House of Representatives (where 259 Democrats are opposed by 176 Republicans). The "party of the elephant" also yields to its main political opponent in representation in the local authorities: the Republicans control only 28 of state legislative assemblies, whereas the Democrats, 66. The latter hold all the levers of political power—the post of governor and a majority in both houses of the legislature—in 13 states, the Republicans, only in 6. True, the Republican Party has grown closer than ever before to the Democrats in terms of the number of governorships held by its representatives (24 compared with 26). The Republicans control 4 of the 6 most populous states of the country here: California, Texas, Illinois and Florida.

Despite the fact that the Republicans have made marked progress in the southern states at presidential elections and congressional elections, they have been unable to seriously shake the Democrats' monopoly at the local level. The Democratic Party has a majority in both houses of the legislatures in all southern states without exception. In Louisiana only 1 member of the Senate is a Republican, in the House of Representatives, 22 out of 104, in Mississippi, 3 out of 52 and 7 out of 121 respectively, Georgia, 11 out of 56 and 27 out of 180, and South Carolina, 9 out of 43 and 32 out of 123.

The results of the congressional elections and the elections to state authorities are grounds for concluding that the Republicans' electorate is subject to very considerable fluctuation. The main reason for this is the fact that the voters who left the Democrats and supported R. Reagan in 1980 and 1984 nonetheless did not tie their fate to his party conclusively. At the elections to Congress' House of Representatives in 1986 the Republicans lost the support of some farmers, government employees, whites and Hispanic citizens, persons of the senior age group and inhabitants of the South and Northwest. The proportion of engineering-technical personnel, women, young people, Protestants and union members who voted for the party remained at the previous level. The losses among these groups of voters were compensated partially by a certain increase in the number of supporters of the Republicans among blue-collar workers, students, Catholics, Americans of the middle generation and inhabitants of the Northeast and, what is highly significant, blacks and the unemployed. The stable nucleus of the electorate of the Grand Old Party is comparatively small. It still has the status of "minority party": according to opinion polls, the number of Americans who consider themselves Democrats in terms of party allegiance is, as before, greater than the number of supporters of the Republican Party (5).

As the ruling party, the Republicans are responsible for the general state of affairs in the country—primarily the stability of the economy. At the present time its prospects would appear quite uncertain. The threat of a cyclical recession, which, according to economists' forecasts, is not that far off, the huge federal budget deficit and trade imbalance and the still high level of unemployment in the country could, the Republican leadership fears, have unfavorable consequences for the party in the course of the 1988 election campaign. The heterogeneity of social forces and ideological and political currents within the party itself is beginning to be reflected under these conditions.

The Republicans' victory at the last two presidential elections smoothed over somewhat, but by no means did away with the contradictions between representatives of various factions in the party's upper reaches. Whereas at the start of the 1980's, in the atmosphere of the impressive successes in the national political arena, the party appeared quite cohesive, recently, particularly as the 1988 presidential election approaches, ideological and tactical disagreements in the Republican camp have come to be manifested increasingly distinctly. A debate is now heating up in the ruling party between political groupings concerning various aspects of its foreign policy and socioeconomic strategy. According to Republican Congressman J. Kemp, "the division in the Republican Party into supporters of B. Goldwater and N. Rockefeller (in the mid-1960's—S.P.) simply cannot be compared with the present split between populists of the right and the moderate elite" (6).

Dilemma of the Right

Three main factions are distinguished sufficiently clearly within the Republican Party: conservative right, moderate conservative and center-liberal.

The conservative right wing of the Grand Old Party is the most heterogeneous. We may speak of the existence therein of three groupings. The tune is called in the most influential of them by President R. Reagan and those closest to him—P. Laxalt, E. Meese and others. At the same time the positions of representatives of the “old guard” (B. Goldwater, S. Thurmond, J. Tower), whose political views were formed on the eve and at the outset of the 1950’s, are strong here, as before.

The other grouping—the New Right—is not as influential as the first but is distinguished by particular assertiveness and drive even. Among the best-known New Right Republicans are senators J. Helms and O. Hatch and congressmen J. Kemp and N. Gingrich. The appearance of the grouping at the start of the 1970’s was connected with the inclusion in the sphere of party-political struggle of new social and socio-cultural problems (defense of civil rights and the interests of consumers, women and racial-ethnic minorities, environmental protection, questions of lifestyle and way of life).

On the eve and at the outset of the 1980’s the right wing of the party was supplemented by a small, but highly influential current—the “neoconservatives” (7). The majority of these are people who switched to the Republicans in the 1970’s from the Democratic Party. It has been the New Right and the neoconservatives who have played the decisive part in the renewal of the party’s ideological arsenal.

The conservative right grouping expresses the interests of big and small business mainly of the Sun Belt states. Its ties to representatives of monopoly capital of the northeast states have strengthened in the 1980’s.

With the assumption of office of the Reagan administration rightwing conservatives managed to take possession of important levers in the party machinery and change the correlation of forces in their favor. On the Republican National Committee and its branches in the states there has been a marked growth of the influence of staffers and activists who link themselves more with the conservative movement than with the party as such. The coalition of moderates and liberals, which was dominant in the party throughout the 1970’s, has been squeezed out by them from the commanding heights and has essentially disintegrated. There has been a marked loosening of the positions of the moderates in the party hierarchy. The liberal wing has found itself practically completely removed from participation in the elaboration of the strategic line of the Reagan administration.

The right have squeezed out the moderates and liberals in the party organizations of a number of states also. Whereas right until the end of the 1970’s the main support of the conservative right grouping were the party’s branches in states of the Far West and the South, in the 1980’s it has succeeded in expanding the geography of its political influence and penetrating the Northeast and Mid-West. The right have brought under their control the Republican Party machinery in New York, Massachusetts, Michigan and Minnesota, where earlier the commanding heights were the undivided property of representatives of moderate and liberal circles. True, in some states their offensive has not been successful. Moderates and liberals have been able to uphold their positions in New Jersey, Connecticut, Maine, Maryland and Tennessee.

In the mid-1980’s rightwing conservatives are beginning to experience considerable difficulties in holding on to their mass base. They are acutely aware of the lack of new ideas capable of maintaining the unity of the highly diverse “Reagan coalition”. Tension in relations between the New Right and the neoconservatives continues. There has been somewhat of a loosening of the political influence of the organizations of Protestant fundamentalists and the most militant religious preachers of the G. Falwell type. The activity of the latter, according to the figures of a poll conducted in June 1985, is approved by only 29 percent of Republican Party supporters compared with 44 percent (8) [sentence as published]. There is a strengthening conviction in public opinion that the church should not be playing so pronounced a part in politics.

In domestic politics the main divide between the right on the one hand and moderates and liberals on the other runs along the question of the role of the government in the regulation of social and economic processes. Representatives of the right wing—primarily the New Right—insist on a cardinal revision of a number of the party’s traditional doctrines. They accuse the establishment of blind adherence to the postulates of the Republicans’ economic policy of the 1960’s-1970’s, which, they believe, manifestly fail to correspond to the spirit of the times and have long since ceased to conform to the requirements of the domestic economy. The right are convinced that the decisive conditions for constant industrial growth are the limitation of government intervention in the production sphere, a strengthening therein of market mechanisms and an increase in the stimulating role of competition.

In the sphere of labor relations rightwing conservative Republicans are supporters of strictest forms of their regulation. Taking advantage of the considerably weakened positions of the American unions in society, they are attempting to discredit completely the very idea of the union movement. The right have adopted the idea of “social segregation,” which is aimed at breaking up the working people and weakening their capacity for collective action.

Rightwing Republicans advocate a revision of the social policy pursued in the 1960's-1970's. They believe that the government has arrogated to itself an insupportable burden of obligations and propose a considerable reduction in the scale of activity of the federal authorities in this sphere. The New Right goes even further, demanding, for example, the complete elimination of the entire system of social welfare, which, they believe, is so inefficient that there is no point bothering with its reorganization even. They propose the introduction in place thereof of the practice of the enlistment of needy citizens living on welfare in this form of public work or the other for the corresponding monetary compensation. "The Republican Party should no longer bother with questions of charity, social building or the federal budget deficit," J. Kemp, for example, declared. "It should concentrate efforts on achieving a stable economic growth rate. A successful economy is a guarantee of the solution of the country's urgent social problems."

In practice the realization of these precepts has led in the period of the Reagan administration's term in office to 700,000 American families living below the official poverty line being deprived fully or partially of welfare payments. The cutback in social spending has also led to more than 1 million persons having lost the right to food stamps. The White House has put a stop to an increase in appropriations for health care needs and sought a reduction in long-term unemployment benefits. As a result there has been a sharp increase in the social contrasts in American society.

Rightwing conservatives are laying claim to the role of guiding force of the spiritual and moral renewal of American society. They are actively preaching traditional moral values (church, family, law and order, patriotism, democracy, the "work ethic," industriousness and decency) and condemn everything which from their viewpoint is alien to the Puritan spirit. The right call for the elimination of special quotas for racial minorities in educational institutions and employment, restoration of the death penalty, introduction of compulsory prayer prior to the start of classes in public schools, tax concessions for private schools and colleges and a ban on abortions.

The right wing is the main inspiration behind the Republican administration's policy of spurring international tension, which has increased the likelihood of a nuclear confrontation and brought the world to the brink of catastrophe. The core of their (sic) foreign policy strategy is the doctrine of "neoglobalism" proclaiming the right of the United States to armed interference in all regions of the world in which Washington perceives a threat to its national interests. The right set as their goal the achievement of the United States' decisive military superiority to the USSR and the implementation of a program of unprecedented scale of a buildup of the American armed forces' nuclear potential. They attach particular significance to the plans for the deployment in full of an ABM system with space-based components.

In accordance with this policy rightwing conservatives advocate renunciation of compliance with the provisions of Soviet-American strategic arms limitation treaties. Any steps in the direction of an improvement in USSR-United States relations are, for their part, emphatically opposed. Maintaining that the meetings of the leaders of the two powers in Geneva (November 1985) and Reykjavik (October 1986) demonstrated the effectiveness of a hard line in the dialogue with the USSR, they are demanding increased pressure on the socialist countries in the foreign policy and trade and economic spheres and the human rights field.

Stimulation of the Moderate Forces

The domination in the Republican Party in the mid-1980's of rightwing conservatives has been causing increasingly vigorous counteraction on the part of moderate circles, which until recently were overshadowed.

The moderate conservative current of the Republican Party is oriented mainly toward the sentiments of finance capital, the business world and the political elite of the traditional centers of economic and political power—the Northeast and Mid-West. In the administration it is represented by Vice President G. Bush, Secretary of State G. Shultz, Treasury Secretary J. Baker, Labor Secretary W. Brock and H. Baker, leader of the White House staff. A pronounced role in the shaping of its political strategy is performed by R. Dole, leader of the party faction in the Senate, Sen P. Domenici and House Minority Leader R. Michel. The moderate conservatives have the support of the electorate mainly in the suburbs of the major centers of the Mid-Atlantic states and New England and in rural localities and small towns of the Mid-West and also of traditional Republican districts of Pacific coast states.

Having sensed the appearance of dissatisfaction at the lessening of government stimulation of the economy and the increased federal budget deficit in certain circles of big business (specifically, in the American Bankers Association, the National Construction Association and the National Realtors Association), representatives of the moderate grouping are attempting to take advantage of this to squeeze out the right on the intraparty front and restore their lost positions. The change in the country's moral and political climate which has come to light and the public's unhappiness with the policy of a further cutback in appropriations for federal programs in the sphere of health care, education, assistance to the unemployed and racial-ethnic minorities, urban development and environmental protection and also with the militarist policy of the White House are conducive to a growth of their influence in the party.

A gradual broadening of the sphere of disagreements between the moderate and rightwing conservatives may be observed at the present time, which is complicating the realization of the legislative program of the rightwing conservative administration.

Republicans of a moderate persuasion proceed from the need for the preservation of government regulation of the economy. Federal government assistance is essential, from their viewpoint, for, specifically, the restructuring on a modern technological basis of certain declining base sectors of production. While remaining true to the party's traditional doctrines, they do not share the optimism of the new conservatives concerning the miraculous possibilities of fashionable economic theories—monetarism and "supply-side economics". Representatives of the moderate faction, for example, express serious doubts that a cut in income tax rates might in itself improve the economy. The sharp tilt toward the market economy, they believe, is narrowing to the utmost the ruling party's room for maneuver. Moderate Republicans propose that the main efforts be concentrated on reducing the budget deficit, which serves as a potential source of growth of inflation and unemployment and threatens to plunge the American economy into the mire of a cyclical crisis. To alleviate the current situation they consider it necessary to slow somewhat the rate of increase in military spending and permit the possibility of a rise in the level of taxation.

Endeavoring to avoid an exacerbation of social tension in the country, moderate circles in the party reject a hard line in the sphere of labor relations. They put the emphasis mainly on taking advantage of the reformist mood characteristic of the leadership of the organized workers movement of the United States and consider the unions a conservative institution and dependable bastion against the spread of radical sentiments in society and are for this reason opposed to a "frontal offensive" against them. Moderate Republicans actively propound the idea of a "community of class interests" in the business of increasing production efficiency.

Compared with the right, representatives of moderate circles display far greater tolerance in the moral-ethical sphere and are highly skeptical of their socio-cultural program. Moderate Republicans believe that moving these questions to the forefront is diverting the party from far more pressing problems. The increased influence in the party of religious fundamentalists is giving rise to their discontent.

Serious differences between representatives of the two leading groupings in the party persist also in the interpretation of fundamental foreign policy precepts of the White House. As distinct from the right, the majority of moderate conservatives sees the purpose of the "containment of communism" doctrine not so much in the achievement of the United States' decisive military superiority to the USSR as in the preservation of a rough equivalence of the defensive and offensive potentials of the two countries. The moderates believe that a lessening of tension in Soviet-American relations is in the interests of both sides.

The exacerbation of socioeconomic problems is increasing the opposition in the ruling party to the policy of a further increase in military spending. The administration's military programs are being criticized by such

influential representatives of the moderate wing of Republicans as senators W. Cohen and C. Grassley, congressmen J. Courter and D. Smith and others. They are calling for the renunciation of the production of certain highly expensive nuclear weapon models and a shift of the center of gravity to the buildup and upgrading of comparatively cheaper conventional arms.

Disagreements between moderate and rightwing conservatives concerning the "strategic defense initiative" are not of a fundamental nature. Regardless of ideological and political persuasion, Republicans support the "star wars" program in a united front (9). However, a group of moderate legislators headed by Sen D. Quayle is expressing serious misgivings as to the practicability of the SDI in the form in which it is being put forward by the administration and considers it essential to reduce the scale of the program somewhat. They propose the creation of a limited ABM system which would make it possible to defend against attack key military and civilian targets in the United States and West Europe. This group's position reflects the viewpoint of certain circles in the Defense Department also (10).

The results of the top-level Soviet-American negotiations in Reykjavik increased moderate conservatives' concern that the deployment of an ABM system with space-based components to the full extent could render impossible an actual reduction in strategic offensive arms and increase military and political instability in the world. They advocate the confinement of developments within the SDI framework to the laboratory, as stipulated by the ABM Treaty, and compliance with the basic provisions of the SALT II Treaty.

A topic of discussion in the ruling party remains U.S. policy in Central America. As distinct from rightwing conservatives, who are gambling on the toppling of people's power in Nicaragua through the hands of the Contras, moderate conservatives are urging the use primarily of economic levers of pressure on Managua in order to compel the revolutionary regime to abandon the path of progressive transformations. Many of them voted in Congress in March 1986 against a bill granting the Contras military assistance of the order of \$100 million (this bill nonetheless passed thanks to the support of conservative Democrats). Moderate conservatives also demand the imposition of far more effective trade and economic sanctions in respect of the racist South African regime than those adopted by the administration.

Liberals: Signs of Revival

Taking advantage of the concurrence of positions with moderate conservatives on a number of aspects of foreign and domestic policy, the liberals, of which there are now few in the Republican Party, are attempting to change the balance of forces in the party, which is unfavorable to them. "Under current conditions we cannot look for the status of majority faction in the

party," M. Smith, a leader of the center-liberal wing and former Republican National Committee chairman, acknowledges. "We seek to ensure that the Reagan administration pursue a more balanced policy which takes account of the interests of all groupings represented in the Republican Party" (11). The liberal wing has traditionally played an important part in the formation of the party's electorate, attracting to the Republicans many "independent" voters and enticing from the electoral coalition of the Democrats some workers, representatives of racial-ethnic minorities, women and young people. The most influential figures among the present generation of Republican liberals are senators L. Weicker, R. Packwood and M. Hatfield, former Sen C. Mathias, and Congressman J. Leach, president of the Ripon Society (12) (the ideological and organizational center of the grouping).

Center-liberal groups of the party make active use of pressure groups and PAC's. In the Senate they have formed their own faction, whose position the party leadership is forced to take into consideration. In the spring of 1985 liberal Republicans headed by congressmen S. McKinney, O. Snowe and T. Tauke formed in the House the 1992 Group (13). It is made up of approximately 40 legislators elected predominantly from states of the Northeast and Mid-West.

The liberals' positions are frequently strongly at odds with the party's official policy. Their viewpoint on various directions of economic, social and socio-cultural policy and in the sphere of arms control, civil rights and environmental protection is largely in keeping with that of the Democrats, with whom they often form a bloc in Congress.

Liberal Republicans differ from rightwing conservatives primarily in their far more clearly expressed statism in the socioeconomic sphere. They consider the activity of the government an important factor of the progress of society and for this reason emphatically condemn the right's intention to significantly reduce the extent of the government's social functions. Social security, in their opinion, needs to be expanded and exercised under the aegis not only of the federal administration but also the state authorities and business also. Liberals are very sensitive to the mood of the population of the country's farming areas. Contrary to the austerity policy being pursued by the White House, they are seeking the allocation of additional government subsidies for assisting the farmers, many of whom are now experiencing hard times. The position of liberal Republicans in the socio-cultural sphere also runs counter to the party's official policy. They support the adoption of an amendment to the U.S. Constitution on equal rights for women, school desegregation with the help of busing (14) and a series of transformations in the field of the racial-ethnic minorities' civil rights and are opposed to the imposition of prayer in public schools.

Insistent calls are heard from the camp of liberal Republicans for a moderation of the Pentagon's appetite, an alteration of its budget and a cutting of appropriations

for certain nuclear rearmament programs, specifically for production of the MX missiles, B-1 bombers and the Trident submarines. In financing Contra formations the United States, Congressman J. Leach believes, is sowing in Nicaragua the "seeds of anarchy". Liberals are campaigning for a peaceful settlement of the situation in Central America, at the negotiating table.

Representatives of the moderate conservative and center-liberal groupings have prevented R. Reagan and his sympathizers from putting into practice in full measure the ideas with which they entered the White House. Specifically, the coalition of moderate and liberal Republicans has blocked proposals of the right concerning an easing of current laws pertaining to environmental protection and increased access for private companies to the development of minerals on public land. Sharp criticism on their part forced the administration in the spring of 1981 even to withdraw without a vote a bill on a reform of the social security system which provided for a reduction in payments to persons retiring prior to the age of 65 and a reduction in the number of recipients of disability benefit. Nor did the White House succeed in having an amendment to the U.S. Constitution concerning the introduction of compulsory prayer in public schools adopted: in a vote in the Senate in March 1984 it failed to receive the necessary majority required for approval.

The process of the demarcation of forces in the ruling party has accelerated at the present time. The struggle of the currents is proceeding with varying success for the sides. The certain progress made by moderate circles has intensified their endeavor to take revenge against the right and restore their positions in the party hierarchy. In turn, the rightwing conservatives are fully resolved to defend the commanding heights in the party. The campaign for the Republican Party presidential nomination for the 1988 elections is increasingly assuming the nature of an acute confrontation between representatives of the main intraparty groupings. Moderate conservatives are tying their hopes for success to the country's vice president, G. Bush, and R. Dole, leader of the party's faction in the Senate. The right are consolidating their forces around Congressman J. Kemp, P. Laxalt, former senator from the state of Nevada, and the religious preacher M. Robertson. On the outcome of the factional struggle will largely depend the future political character of the Republican Party, which forces will be at the helm when R. Reagan steps down as U.S. president and the direction in which it will continue to evolve.

Footnotes

1. See *Public Opinion*, April/May 1984, p 28.
2. See *Congressional Quarterly Weekly Report*, 28 September 1985, p 1930.

3. For more detail see *Memo* No 9, 1986, pp 135-138.
4. Thus in Guatemala the Republicans financed the creation by local conservatives of their own research center. They used the foundation's resources to help candidates of the conservative forces at presidential elections in Panama (1984) and Costa Rica (1986) and unions and student organizations of the right in France at the National Assembly elections (1986). As an inter-party commission, they monitored the presidential elections in the Philippines (1985) (for more detail see *National Journal*, 28 June 1986, pp 1603-1608).
5. See *Public Opinion*, May/June 1987, p 29.
6. *Dun's Business Month*, September 1984, p 31.
7. It is customary to denote by this term a whole school of the social and political thought and ideology of the U.S. ruling class, which does not fit a purely party framework. Far from all neoconservatives belong to Reagan's party. Many of them rank themselves as Democrats (like Sen D. Moynihan, for example) or do not consider themselves linked with either of the country's two leading political parties.
8. See *Political Science*, Spring 1986, p 230.
9. This applies to an equal extent to the party's entire electorate also: according to a poll conducted by the weekly *Time*, at the end of 1985 some 75 percent of the electorate which supports the Republican Party supported the "star wars" program, and only 19 percent were opposed to it (see *Time*, 25 November 1985, p 29).
10. See *Business Week*, 20 October 1986, p 37.
11. *The New York Times*, 21 June 1984.
12. Ripon is a city in the state of Wisconsin where in 1854 the first Republican organization was formed.
13. According to estimates of members of the grouping, the Republicans' hopes of winning a majority in the House should be a reality as a result of the 1992 elections.
14. Busing is the transfer by bus of negro children from the black ghetto areas to schools in which they are taught together with whites.

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"Mirovaya ekonomika i mezhdunarodnyye

Review of World Problems

18160002g Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYYE OTNOSHENIYA in Russian
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[International review: "Current Problems of World Politics"]

[Text] Our country is at the threshold of a glorious jubilee—the 70th anniversary of the October Revolution. The worker-peasant state born of the Great October began the building of the new society in isolation. Today the Soviet Union is continuing this creative activity in single formation with the fraternal socialist countries, which rightly consider October their common holiday. The appearance and development of the community of socialist states is a striking example of the life-asserting ideas of the revolution and the mighty power of Marxism-Leninism. The editors decided to devote this survey of current international events to the present-day life of the socialist countries.

1. Perestroika—Tradition of the Great October

The Great October occupies a special place in our consciousness. And now also, on the eve of the October Revolution jubilee, we are increasingly asking: what part is the contemporary period playing in the history of the revolution and the history of socialism in our country and what in reality is the thread of continuity which has extended from the first steps of Soviet power to our time—a time of truly revolutionary changes?

Seventy years ago the Russian proletariat under the leadership of the Lenin Bolshevik Party headed the struggle to build a new society. It coped with its historic mission with honor. The most important tasks were tackled very quickly—from a backward country Russia became a progressive industrial world power, international relations were restructured and a cultural revolution was accomplished. We were victorious in the Great Patriotic War and successfully restored the national economy, the proletarian state grew into a state of all the people and the country embarked upon the stage of developed socialism and moved into the vanguard of the forces of peace and progress.

While experiencing legitimate pride in our country's achievements, it cannot at the same time be said that we are wholly and fully satisfied with the results. We have yet to create the conditions which permit the revelation of all the advantages of socialism. The set task—overtaking the developed capitalist countries in per capita production—has not been accomplished. A trend toward stagnation has been observed in the economy in the past 10-15 years. Many phenomena which are unwelcome and in principle uncharacteristic of socialism have come to be revealed in the social sphere.

The Communist Party has set the Soviet people a task of extraordinary importance—in the economic sphere, the creation of a new, efficient system of management of the national economy, a transition from extensive to intensive methods and an acceleration of socioeconomic progress based on progressive equipment and technology; in the political sphere, the extensive development of democracy and the working people's self-management and strict compliance with the Leninist standards of party and state activity; in the spiritual sphere, in the ideological field, the affirmation everywhere of the principles of socialist morality and social justice and the creative development of Marxist-Leninist theory.

Without going to extremes—not becoming intoxicated with one's achievements but not belittling them either, concentrating attention on goals and the surmounting of bottlenecks and shortcomings, but without their panic absolutization—realistically and soberly evaluating current conditions and one's potential—only a truly revolutionary, militant and politically mature party sure of the support of the people and in possession of a progressive theory of social development is capable of adopting such a position. This approach distinguished the Bolshevik Party in the direst situations of revolutionary struggle. This approach distinguishes the CPSU at the present abrupt historical turning point.

The CPSU Central Committee January (1987) Plenum developed theoretically propositions which had been advanced earlier, outlined measures for their practical realization and ascertained the reasons for the difficulties in the economy and other spheres of social life and the mechanisms impeding the restructuring process which had begun. It was emphasized particularly at the plenum here that in speaking of perestroika and the processes of the profound democratization of society connected therewith we refer to truly revolutionary and comprehensive transformations in society. The ultimate goal of perestroika is the in-depth renewal of all aspects of the country's life, the imparting to socialism of the most modern forms of societal organization and the fullest revelation of the humanitarian nature of our system in all its decisive aspects—economic, sociopolitical and moral.

The Soviet people have supported fully the party's policy of perestroika. And this has been reflected to a certain extent in economic results. The rate of increase in labor productivity has risen. In the past 2 years on average it has been higher than the average annual indicators of the 11th Five-Year Plan in industry and construction by a factor of 1.3, agriculture, by a factor of 2, and in railroad transport, 3. The rate of increase in industrial production in 1985-1986 on average constituted 4.4 percent. Economic life in the countryside has been revitalized. The production of grain compared with 1984 increased by 37 million tons, meat (dressed weight), 1 million tons, milk, 4.3 million tons, and eggs, by 4.2 billion.

In terms of the results of the first 6 months of 1987 social labor productivity grew compared with the first 6 months of 1986 by 2.3 percent, and in the second quarter, by 3.5 percent, and national income increased by 2.4 and 3.6 percent respectively. The growth of the people's well-being continues. The average monthly wage of workers and employees increased 2.8 percent, the pay of kolkhoz members, by 4 percent, and payments and benefits to the population from the social consumption funds, by R3.9 billion. Measures are being implemented to further strengthen the material-technical base of the social sphere. More than 5.1 million square meters of accommodation were built.

However, much still remains to be done—to improve contractual supplies, accelerate S&T progress, renew output and upgrade contract relations. The creation of social amenities, housing particularly, will require big resources and efforts.

The main question of the theory and practice of socialism is how to create incentives to economic, S&T and social progress which are more powerful than under capitalism. New opportunities for use of the advantages of the socialist system are afforded by the qualitative changes in the economic mechanism. The party's tasks pertaining to a fundamental restructuring of management of the economy were studied by the CPSU Central Committee Plenum of 25-26 June 1987.

The concept of the restructuring of management proposed at the plenum is aimed at reorienting economic growth from interim to end, socially meaningful results, satisfaction of social requirements and the all-around development of the individual, making S&T progress a principal factor of economic growth and creating a reliably operating anti-costs mechanism. To achieve this it is essential to make the transition from predominantly administrative to predominantly economic methods of management at all levels and to the broad democratization of management and the utmost stimulation of the human factor.

The concept of the restructuring of management incorporates in-depth reforms of the centralized management of the economy, planning, pricing and the finance-credit mechanism and the creation of new organizational forms. The nucleus of the concept is the proposition concerning the guarantee of the extensive rights and effective economic independence of enterprises based on complete cost accounting and self-financing.

The 11th USSR Supreme Soviet Seventh Session took place immediately following the plenum. The session enacted the State Enterprise (Association) Act and other acts concerning a restructuring of management of the country's national economy.

A special place both in the work of the plenum and in the subsequent activity of the CPSU Central Committee has been occupied by an improvement in the state of affairs

in such a key sector of the economy as engineering, particularly the manufacture of modern equipment. Due attention has not for many years been paid the preferential development of engineering. The country has begun to lag behind in S&T development. Whereas Western countries have begun the structural reorganization of the economy on a broad scale with emphasis on resource-saving and the use of the latest technology and other achievements of science and technology, S&T progress in our country has been impeded. In the current year, for example, the product renewal plan constituted 7.6 percent, but only 4.3 percent was achieved in the first 6 months.

The engineering ministries are failing to fulfill the plan for the development of science and technology. In January-June quotas pertaining to the assimilation of most important types of new-generation machinery and equipment were realized to the extent of 80 percent, to the assimilation of progressive technology, 93 percent. Quotas incorporated in S&T programs were met to the extent of 84 percent.

The reasons for this are not to be found not in an absence of scientific process stock but in the national economy's nonreceptivity to innovations. This situation has been reflected negatively in the living standard of the population and the development of the social sphere.

In order to rectify the state of affairs in engineering the CPSU Central Committee June (1987) Plenum confirmed a program of the modernization of this sector. It is set the task of reaching the highest world level in the next 6-7 years in respect of the parameters of the most important machines, equipment and instruments. It is essential for this purpose to create highly skilled and mobile research-production potential. Fulfillment of all that has been outlined—and this was emphasized once again at the special meeting in the CPSU Central Committee on 24 July—will be determined by the solution of two central questions: the extensive introduction of the new economic mechanism and the acceleration of S&T progress.

The party has outlined serious changes in the field of agrarian policy aimed primarily at the development of the kolkhozes as cooperative organizations. Such plenum decisions as the new methods of management and the extensive use of all forms of cooperation for the purpose of the democratization of the economy and the balancing of people's personal and social interests in the socialist society are addressed not least to the countryside.

The development of the social sphere and the increasingly full satisfaction of Soviet people's day-to-day urgent needs are an important reference point of perestroika. An improvement in people's work, living and social conditions and the recovery of the moral and spiritual atmosphere—it is these tasks which were at the center of the party's attention. It is primarily a question of a solution of the food and housing problems, consumer goods and services, the situation on the consumer

market and medical services. Concerning the latter, the CPSU Central Committee and the USSR Council of Ministers adopted in August the comprehensive draft "Guidelines of the Development of the Protection of the Population's Health and the Restructuring of the USSR's Health Care in the 12th Five-Year Plan and for the Period up to the Year 2000".

At the same time it has to be acknowledged that the revolutionary transformations in the country are encountering certain difficulties. The inherited contradictions, hidebound ways, sluggishness, bureaucratism and lack of enterprise are still holding back the progressive movement of the restructuring. The contradiction between the demands of renewal, creativity and creative initiative on the one hand and conservatism, inertia and selfish interests on the other has moved to the forefront, the report at the plenum of M.S. Gorbachev, general secretary of the CPSU Central Committee, observed. The most effective means of overcoming this contradiction is the extensive development of democracy.

Maximum democracy is not simply a slogan, it is the essence of perestroika. Social justice and attention to man may be ensured only under conditions of genuine democracy. Socialism can develop only in the soil of democracy. At the current stage the party has adopted a policy of realization in practice of the formula: "More democracy means more socialism". The laws on nationwide discussion of important questions of state life and the procedure for appealing to the court against the illegitimate actions of officials infringing citizens' rights adopted by the USSR Supreme Soviet session, the CPSU Central Committee decree "Measures To Enhance the Role of Legality Control by the Prosecutor's Office in Strengthening Socialist Legality and Law and Order," the increasingly extensive practice of the electivity of executives in production and in party bodies, the competitive examination system, worker certification and the development of glasnost, criticism and self-criticism and supervision from below are geared to this.

Problems of the national self-awareness of the peoples and inter-nation relations are closely connected with the process of the further democratization of the life of our society. The Great October laid the foundations of history's first united multinational socialist state. The establishment in the USSR of relations of friendship and fraternity is a very great achievement of socialism.

At the same time, however, as in any other social sphere, in national relations—and this subject was addressed at the 27th CPSU Congress—the new and progressive is blazing a trail for itself via contradictions and via struggle against the old and outmoded. Certain negative phenomena and deformations such as trends toward national exclusiveness and sentiments of local preference and national conceit have been manifested in this sphere in recent years. The CPSU Central Committee

decree "The Work of the Kazakh Republic Party Organization on the International and Patriotic Education of the Working People" says: "Today, when revolutionary processes of renewal are encompassing all aspects of the life of society, great importance is attached to the timely solution of problems arising in the sphere of national relations".

The CPSU Central Committee June Plenum called attention to the need for consideration of the entire complex of interests—of the individual, the workforce, classes, nations and social and occupational groups. An important part of perestroika is the harmonization of national, republic and all-people and statewide interests. The material basis on which the unity of our society is based is the economy. The normal functioning of the country's single economic organism with regard for the expanding specialization and cooperation of labor between republics requires an improvement in the exchange of material, financial and labor resources. Extensive opportunities for the development of equal cooperation are afforded by the new economic mechanism which is taking shape.

International education is realized also via democratic institutions and via policy, ideology and culture. It is perfectly obvious that national feelings, national consciousness and national interests are preserved under socialism also. They also demand an attentive and nonformal attitude. This is all the more necessary in that some people in the West have still not abandoned their intention of interfering in the Soviet Union's internal affairs by way of the incitement of nationalist sentiments. The escapade of certain Western, primarily American, circles involving the organization in August of "demonstrations" in cities of the Soviet Baltic was, specifically, such an attempt.

Practice shows that nationalist sentiments may be successfully opposed only by consistent internationalism, that is, an attitude toward national questions from the standpoints of the class equality of all working people and the defense of national interests not in the form of the isolation of the peoples but in international fraternity and cooperation.

An achievement of perestroika, which is noticeable now even, has been the upsurge of the people's spiritual activity. At the present crucial stage of our life the party and its Central Committee assign the socio-cultural, creative and ideological sphere a big role in the establishment of democracy. For an improvement in the situation in this sphere a number of decrees has been adopted recently on measures for the further development of fine art and an improvement in concert activity and the conditions of the activity of the artistic unions. And this is profoundly symbolic. After all, cultural progress is just as inseparably connected with democracy as are moral values.

The conditions of democracy and glasnost and the "lesson of truth" are, as the 27th CPSU Congress said, an important means of cleansing the moral atmosphere in society and a means of fostering a communist consciousness. As A.N. Yakovlev, member of the CPSU Central Committee Politburo and secretary of the CPSU Central Committee, observed at a meeting on 14 July with the the aktiv of the Kaluga Oblast party organization, people's hearts have for a long time been corroded, like rust, by the discrepancy between word and deed, between reality and proclaimed policy. The development of democracy will do away with this artificial contradiction and afford man an opportunity to act in accordance with high moral notions, not dissemble, not play two parts and not to bargain with his conscience. Participation itself in democratic procedures at all levels will be a powerful stimulus to the development of the personality and a broadening of its political and general imagination and social experience. Morality, A.N. Yakovlev emphasized, is today assuming political significance.

Despite all the difficulties and obstacles, perestroika is gaining momentum and proceeding in breadth and in depth. In its vanguard is the working class, which is of decisive significance for success.

However, despite the huge successes, perestroika has yet to really reach many places. Some state and party organizations are still lagging behind the pace of perestroika. Individual important decisions on important questions of the development of the country are at times in the localities being realized slowly and in less than full volume. It remains a reality also that at times not everything is in practice being done to satisfy people's elementary needs.

Of course, perestroika is not a task of one day, it is long-term policy. Time is needed to bring Soviet society to the new frontiers. However, it is just as indubitable that slowness here is impermissible.

The CPSU Central Committee June Plenum emphasized that the restructuring which has now unfolded in the country is the central task of the party and the people. It is "a direct continuation of the cause of October and consistent realization of the ideals inscribed on the banner of our revolution".

2. For a Secure World, for Civilized Relations

The tasks of perestroika and an acceleration of the country's socioeconomic development are also determining the main directions of foreign policy. Its main goal is securing for the Soviet people the opportunity to live under conditions of peace and security.

The USSR's foreign policy is based on the principles of the new political thinking. It proceeds from scientific evaluations of the actual state of affairs in the world, primarily from the profound social and political shifts

and changes which have occurred since the war, combined with the unprecedented upsurge of S&T progress. As M.S. Gorbachev observed in his replies to questions from the Indonesian newspaper *Merdeka*, the Soviet Union takes account in its policy primarily of the threat to human civilization in connection with the enormous stockpiles of nuclear weapons. This is a reality which has to be faced. In addition, the correct evaluation of this reality leads to the conclusion that problems of world politics cannot today be solved militarily. Such a path would be fraught with unpredictable consequences. Consequently, an adjustment in views of the world and states' policy is necessary.

The new political thinking has its roots in the fundamentals of Marxist-Leninist theory. K. Marx's philosophical proposition that "the coexistence of two mutually contradictory sides, their struggle and their fusion in a new category constitute the essence of dialectical movement" may with every justification be applied to contemporary East-West relations. Indeed, historical development has brought mankind to a period wherein the agenda of international life incorporates problems of the formation of a diverse, integral world with a new essence unparalleled in the past. And this essence is the fact that a world community of states united by a number of similar and common interests affecting all aspects of material production and people's spiritual life is being formed. The most important of them—the first, but not the sole one—is averting a nuclear catastrophe. Such interests are above any differences, contradictions and class antagonisms even for they concern the very basis of all that exists on Earth—the problem of the preservation of mankind.

The infringement of the security of other countries is under current conditions—however paradoxical this seems from the viewpoint of prenuclear thinking—objectively not to the benefit of any state for it is fraught with the instability of world politics, undermines the foundations of the entire system of international security, involves states in the spiral of a fruitless and pointless "race for security" and at best leads to the restoration of the former state of relations, but at a new level—with higher power parameters.

Without downplaying the significance of national aspects and means of ensuring security, the Soviet Union proceeds in the determination of its strategic policy in this field primarily from the fact that international security has now become a category which is indivisible and united in its diversity and contradictoriness, as the modern world is indivisible, diverse and contradictory.

It was this theoretical premise which enabled the USSR to put forward a specific political program of the creation of an all-embracing system of international security. The Soviet Union has shown in practice by its foreign policy activity, in the security sphere included, what the new political thinking is and is demonstrating its capacity for comprehending most complex, frequently controversial problems and seeking new, unusual solutions.

The attention of the world community has been attracted in recent months to the Soviet-American negotiations in Geneva. It is now that the question of whether the first practical step forward along the path of nuclear disarmament will be possible is being decided.

As a whole, the latest round of the Geneva negotiations on nuclear and space-based arms was marked by appreciable progress. This applies mainly to the work of the group discussing INF and operational-tactical missile problems. The sides are engaged in coordination of the specific provisions of a draft treaty.

Progress at the negotiations was possible primarily thanks to the constructive position of the USSR, which proposed this April a "double zero option" for a solution of the problem of INF and operational-tactical missiles in Europe, which also took into consideration the wishes of the American side concerning a separate solution of the INF question and the elimination of operational-tactical missiles as its supplement.

In order to shift the nuclear disarmament process from standstill the Soviet Union consented to a whole number of concessions. We did everything within our power to give this important business a practical start, E.A. Shevardnadze, member of the CPSU Central Committee Politburo and USSR foreign minister, emphasized in his speech on 6 August at the Conference on Disarmament in Geneva. The Soviet Union withdrew the condition concerning the nuclear forces of Britain and France and agreed to examine the INF question separately from that of strategic and space-based arms, although would have preferred to have discussed them all together. Finally, the Soviet Union accommodated the Asian countries and expressed a readiness to scrap all medium-range missiles not only in Europe but in Asia also. Thus the question of the preservation of the 100 warheads on medium-range missiles which had been at issue at the Geneva negotiations with the Americans is removed—on condition, of course, that the United States do the same. Operational-tactical missiles will be eliminated also.

A global nature is thus imparted to the "double zero" concept. It is proposed scrapping two classes of nuclear missiles on two continents in regions of the densest military confrontation. It is no secret, E.A. Shevardnadze emphasized, that the Soviet side will in this case have to reduce a considerably larger number of missiles than the American side.

These steps of the USSR removed the main bones of contention in Geneva and lent impetus to the stalled negotiations. However, a serious new obstacle erected by the American side appeared.

Following 2 months of consultations with its allies, Washington surprisingly put forward a demand concerning the preservation in Europe of its nuclear warheads intended for the 72 West German operational-tactical Pershing 1A missiles which were part of the armory of the West German Bundeswehr. The nuclear warheads for these operational-tactical missiles belong to the United States and are controlled by the U.S. Army stationed in the FRG. A tense dispute flared up in connection with the Pershing 1A's. And not only in Geneva at the negotiations, what is more, but in Washington and Bonn also. The American press reported with reference to "informed sources" that the U.S. Administration had no intention of giving in to the Soviet demands concerning the elimination of the Pershing 1A missiles, even if this jeopardized an INF and operational-tactical missile treaty.

There was extensive discussion at the end of August in the FRG of a return letter from the U.S. secretary of state to the West German foreign minister in connection with the Pershing 1A's. G. Shultz, according to West German press reports, had assured Foreign Minister H.-D. Genscher that the United States had no intention of examining the question of these missiles at the Geneva negotiations.

In this situation there arose perfectly naturally the question: with whom, then, should negotiations concerning the warheads for these operational-tactical missiles be conducted? Were West Germany pretending to the right to dispose of them, this position would be tantamount to its pretensions to the status of nuclear power. And this is denied by both the FRG and the United States.

As E.A. Shevardnadze declared in Geneva, "if the FRG has really illegally provided itself with nuclear weapons, this will cause anger and indignation throughout the world and could confront it with a political crisis." Not only the fate of an INF and operational-tactical missile agreement but also a future nuclear nonproliferation treaty would thereby be in jeopardy. After all, it is possible to imagine a hypothetical situation in which the USSR's allies also, confronted with the threat of the preservation of operational-tactical missiles in the FRG, might raise the question of the deployment of similar weapons on their territory. Obviously, the Soviet Union also would be faced with the need to take their concern into consideration and accommodate them. Such a development of events would cancel out all hopes of deliverance from hundreds of Soviet and American nuclear warheads.

In addition, under the pretext of further modernization of the FRG's missiles the United States would have liked to have preserved production of the Pershing 1B missile "for the West Germans". It was further a question of it being possible in a matter of hours to refit the Pershing 1B operational-tactical missiles as Pershing 2 medium-range missiles, which reach targets on USSR territory.

And this would essentially mean the United States' primordial intention to reserve for itself positions of superiority to the Soviet Union.

The acute debate on the missiles issue affected the ranks of the ruling coalition in the FRG also, some influential figures of which supported in this form or the other the elimination of "their" operational-tactical missiles. However, at a press conference on 26 August FRG Chancellor H. Kohl specified his country's position, declaring that, given certain conditions, the Pershing 1A missiles would not be modernized but would be scrapped. The chancellor's statement introduced a new feature to the situation at the negotiations.

The decisive stage of the INF and operational-tactical missile negotiations was the visit of E.A. Shevardnadze, foreign minister of the Soviet Union, to Washington in September. The Soviet representative held meetings and negotiations with U.S. President R. Reagan and Secretary of State G. Shultz. As a result it was possible to remove the majority of disagreements and obstacles to the conclusion of a Soviet-American agreement on the elimination of medium-range missiles and operational-tactical missiles. An understanding in principle was reached on the conclusion of the corresponding treaty, and the necessary instructions on this score were given to the delegations of the two sides in Geneva. For its signing and the examination of the entire spectrum of questions of relations between the USSR and the United States it was arranged for a meeting to be held between M.S. Gorbachev and R. Reagan in the fall of 1987. E.A. Shevardnadze and G. Shultz also arranged to begin on 1 December 1987 full-scale bilateral negotiations on the limitation of and ultimately a complete halt to nuclear testing. One further important document was signed during the Soviet minister's visit to Washington—a Soviet-American agreement on the creation of nuclear-danger reduction centers. It was not possible, unfortunately, to bring closer the sides' positions on the question of a 50-percent reduction in strategic offensive arms under the conditions of strict compliance with and a strengthening of the terms of the ABM Treaty.

At the strategic arms negotiations in Geneva the American delegation continued essentially to adhere to the policy of circumventing the Reykjavik accords. It put forward a number of unacceptable demands.

In the space group the American side practically avoided serious discussion. The U.S. delegation demonstrated Washington's complete devotion to the SDI and a lack of profound interest in a strengthening of the ABM Treaty.

The American side in fact gave no real answer to the compromise proposals which had been put forward by the USSR during U.S. Secretary of State G. Shultz's visit to Moscow this April: concerning a strengthening of the terms of the ABM Treaty on the basis of mutual commitments not to withdraw from it for a period of 10 years given strict

compliance with all its provisions; an understanding concerning the boundary between activity permitted and prohibited by the treaty by way of the coordination of a list of devices whose guidance into space, for testing purposes included, would not be permitted; and also an accord concerning authorized research activity on Earth—in laboratories and at test ranges and manufacturer-plants, in the open air included.

While paying paramount attention to the problem of nuclear disarmament the Soviet Union is not retreating one step in its struggle for the elimination and banning of chemical weapons. Multilateral talks on this issue have been under way since the start of the 1980's within the framework of the Geneva Conference on Disarmament. Only in 1986 did a positive turning point therein come to light. The participants succeeded in the course of keen debate in bringing their positions closer together, although many disagreements and contentious problems remain.

Many of the questions which had earlier seemed insoluble were settled thanks to the radical proposals and actions of the Soviet Union. It, specifically, completely suspended the production of chemical weapons (other Warsaw Pact countries had never produced them and did not have such on their territory). The construction of a special enterprise for scrapping these weapons was begun. The commissioning of this enterprise will make it possible to eliminate very quickly our existing chemical weapons following the conclusion of an international convention.

The Soviet proposals at the negotiations completely repudiated the speculation in connection with the fact that we "fear" verification. We made it clearly understood that we are ready for the most dependable verification of compliance with the convention being prepared in respect of all the questions which it broaches—scrapping of stockpiles, the elimination of the enterprises producing these weapons and the production of chemicals and medical preparations which could be used to create chemical weapons, investigation of instances of suspicion of a violation of the convention arising and so forth. A real opportunity has now appeared for the conclusion of an international convention in this connection. The new Soviet initiatives aimed at an acceleration of the negotiations on banning chemical weapons advanced by the USSR on 6 August at the plenary session of the Conference on Disarmament were greeted with approval by the international community.

Specifically, to create an atmosphere of trust and guided by the interests of the speediest conclusion of a convention, the Soviet side invited the participants in the negotiations on chemical weapons to the Soviet Shikhan'y military facility to acquaint themselves with the standard models we have of chemical ammunition and the technology for the scrapping of chemical weapons at a mobile complex. It was declared also that some time

later international experts would be invited to the special enterprise for scrapping chemical weapons which is being built in the region of the city of Chapayevsk.

The Soviet Union's enterprising international activity enjoys the approval and support of its Warsaw Pact allies. The most important and material point—and this is the guarantee of the effectiveness of socialist foreign policy—is that each Warsaw Pact state does not simply express support for the peace-loving initiatives of the USSR but makes its own contribution to the shaping of the foreign policy strategy of the socialist community.

In recent years—both under the influence of the new international conditions and as a result of the general democratization of domestic life—the socialist community countries have stepped up their peace offensive in all areas. It is sufficient to recall some of the joint initiatives providing an incomplete, but sufficient idea of the scale of their concerted international activity.

The program adopted at the meeting of the Political Consultative Committee in June 1986 in Budapest which the Warsaw Pact states addressed to the NATO states and all European countries concerning a reduction in armed forces and conventional arms in Europe could be a major step toward disarmament in Europe.

An exceptional role in the fraternal countries' joint activity belongs to the document "Military Doctrine of the Warsaw Pact States" adopted at the Political Consultative Committee meeting this May in Berlin and reflecting the strictly defensive intentions of the allied powers. Their initiatives and proposals pertaining to a lowering of the level of military confrontation, the elimination of all Soviet and American medium-range missiles and operational-tactical missiles, the banning of nuclear testing, the elimination of chemical weapons and a radical reduction in armed forces and conventional types of weapons, as also other measures to make Europe a continent of security and trust, are characterized by comprehensiveness, constructiveness and realism. They are sustained entirely in a spirit of the new political thinking and the philosophy of the preservation of human civilization.

An important step forward in the strengthening of trust between East and West could be realization of the Warsaw Pact countries' proposal addressed to the NATO countries concerning consultations for the purpose of studying and comparing military doctrines and analyzing their nature and further evolution.

The group of socialist countries presented in the summer of the present year a large-scale joint initiative which was a contribution to the development of problems of nuclear disarmament. They presented for examination at the Geneva Conference on Disarmament the document "Basic Provisions of a Treaty on the Complete and General Banning of Nuclear Weapons Testing".

As is known, guided by the interests of the creation of a nuclear-free world, the Soviet Union set an example of a sincere aspiration to the practical solution of this most complex problem by imposing on 6 August 1985 a unilateral moratorium on nuclear testing and calling for all states possessing such weapons to join it.

The Soviet Union's act of good will (and the moratorium was extended repeatedly right up to the start of 1987) enjoyed extensive repercussions in the world and sincere support both among the public and in political circles of various countries. Unfortunately, the United States did not join the USSR's initiative, justifying, *inter alia*, its negative attitude by a variety of references to the difficulty of effective verification. The contrived nature of the pretext is obvious. Specialists, Americans included, have spoken of this. The more so in that the Soviet Union expressed a readiness for the use of all forms of verification, including on-site inspection.

The document proposed this summer by the socialist countries synthesizes, as it were, the experience and results of work accumulated over many years on the solution of problems of nuclear testing and the new ideas and proposals which have been put forward recently by many countries, primarily the Delhi Six.

The document poses anew to a large extent the question of verification and inspection. Considering the acute lack of trust in international relations, it provides for broad-scale verification measures: from notification of the whereabouts of test ranges through the participation of international inspectors in the monitoring of the nonconducting of test explosions of nuclear weapons at these ranges. The creation of an international inspectors institution is proposed to make the monitoring more effective. It is appropriate to recall here that the tripartite reports to the Disarmament Committee made by the Soviet Union, the United States and Great Britain have not provided for such an institution. The question of an international system of seismic monitoring was further developed also.

An important place in the proposed system of verification is assigned on-site inspection. In addition to other means of such inspection, it is anticipated, *inter alia*, that a state which has received a request concerning on-site inspection will be obliged to unconditionally afford access to the site designated in this request. Naturally, time and painstaking work will be needed to coordinate the criteria and procedures of a request for inspection and verification and their realization, including a list of the rights and functions of the verifying personnel. However, it is important to consolidate the principle of the obligatory nature of verification for the parties to the treaty. This would make it possible on the one hand to lessen suspicion in relations with one another and, on the other, to erect a barrier to attempts to circumvent the treaty.

The USSR also expressed a readiness to come to an arrangement on a gradual solution of the problem of a halt to nuclear testing by way of the imposition of interim limitations on the quantity and yield of nuclear explosions. This could start with the announcement of a bilateral moratorium right now. While preferring a full moratorium, the USSR is nonetheless prepared to consider the United States' position and negotiate with it the limiting of the yield of explosions to 1 kiloton and a reduction in the number thereof to the minimum.

A reflection of the lofty humanism of Soviet foreign policy and its concern for the fate of the peoples of the world is the principle of development via disarmament organically built into the concept of the creation of an all-embracing system of international security.

Military preparations and the arms race are unproductively squandering mankind's material and intellectual potential and impeding the solution of present-day global problems which confront it, whose exacerbation entails a threat to the existence of civilization itself. World military spending amounted in 1986 to approximately \$900 billion. Some \$1.7 million was spent each minute on the arms race in the world last year, 100 million persons worked for it and it swallowed up approximately 6 percent of world GNP.

The militarization of international life is having the most disastrous consequences for the developing countries. Their share of world military spending grew from 3 percent in 1955 to 18 percent by the mid-1980's, exceeding \$150 billion in 1985. There are approximately 15 million men in the armies of the young states—60 percent of the world's servicemen. These countries have accounted in recent years for approximately 75 percent of world arms imports.

The young independent states, as the weaker side in the capitalist division of labor, account for a significant proportion of the difficulties being experienced by the capitalist economy under the influence of militarism. "It is time everyone recognized," M.S. Gorbachev emphasized in his address to the participants in the international conference on the interrelationship between disarmament and development, "that in leaving, wittingly or otherwise, the peoples of some regions and whole continents even in the position of exploited and destitute mankind is running the risk of causing an explosion no less disastrous than a thermonuclear encounter." Realization of the "disarmament for development" principle can and must unite mankind and help mold its planetary consciousness.

The socialist community countries consider incompatible the process of the world development and the preparation for war. This was said, specifically, in the document "Surmounting Underdevelopment and Establishing a New International Economic Order," which was adopted at the Berlin meeting of the Warsaw Pact Political Consultative Committee.

These and many other problems were examined at the conference on the interrelationship between disarmament and development which opened on 24 August in New York. Ignoring the interests of the countries assembled thereat, the United States declined to participate in this representative international forum.

The socialist countries arrived at the conference with specific practical proposals. From standpoints of glasnost and openness in respect of states' military activity we proposed a comparison of the military doctrines of NATO and the Warsaw Pact. We proposed that all states draw up and submit for international discussion national conversion plans, which would attest a resolve to reduce military production.

It was observed in the speech of V.F. Petrovskiy, head of the Soviet delegation and USSR deputy foreign minister, that the attempts which had been made thus far to compare military budgets had not produced a positive result as a consequence of fundamental differences in the arms price structure and also in the pricing mechanism. The conferees were given explanations concerning our recently published defense budget (R20.2 billion). Specifically, it was stipulated that it reflected expenditure of the USSR Defense Ministry on the upkeep of the personnel of the armed forces, logistical support, military development, pensions and a number of other outlays. At the same time, however, RDT&E and also arms and military equipment purchases are financed under other items of the USSR budget. The Soviet representative pointed to the fact that upon completion of the radical pricing reform scheduled in our country there will be an opportunity for a realistic comparison of overall military spending.

In the context of the new political thinking, V.F. Petrovskiy emphasized, we pose the question thus. Disarmament is not, of course, an end in itself. We firmly advocate each arms limitation and reduction measure not only bringing the peoples greater security but also permitting the allocation of more resources for an improvement in people's living conditions.

The position of the Soviet Union and other socialist countries and their specific proposals were reflected in the collective memorandum "Disarmament for Development" submitted by the CSSR delegation.

The memorandum emphasizes the need for an immediate halt to the arms race and the adoption of genuine and urgent disarmament measures. For this purpose the socialist countries proposed a program of the deliverance of the planet by the year 2000 from nuclear and other types of weapon of mass destruction, a lowering of states' military potentials to a reasonable sufficiency and the building of a nuclear-free and nonviolent world.

The resources released in the course of disarmament must not be directed toward other military ends. Some of the resources actually released should be used for increased assistance to the developing countries. The

role of special mechanism for transferring resources from disarmament to the developing countries and for the solution of other global problems could be performed by an international "disarmament for development" foundation open to all states.

The socialist countries advocated examination of the interrelationship between disarmament and development at a meeting of the top leaders of members of the UN Security Council.

The latest round of the meeting of representatives of the participants in the Conference on Security and Cooperation in Europe, which ended at the end of summer in Vienna, showed the existence of certain prerequisites for agreement on the fact that the Conference on Confidence-Building Measures and Security and Disarmament in Europe would be continued after Vienna and that, probably, negotiations could begin on conventional arms and armed forces in Europe from the Atlantic to the Urals.

Practically all the delegations participating in the Vienna meeting supported a continuation of the Stockholm conference. Different opinions as to what new confidence-building measures it should study were revealed, it is true.

At the center of attention of the discussion on humanitarian issues was the socialist countries' proposal concerning the convening in Moscow of an all-European conference on the development of humanitarian cooperation.

In an interview which he gave at the end of the meeting Yu.V. Kashlev, head of the Soviet delegation, observed that "two lines clash in the field of humanitarian relations: one is geared to an expansion of cooperation and a departure from confrontation, and the other, pursued by the United States and some of its allies, to reducing the entire vast set of problems merely to rules of citizens' departure for other countries."

In respect of the so-called "second basket" of the Helsinki process the socialist countries advocated that after Vienna large-scale all-European conferences be held on the development of East-West trade and economic cooperation, environmental protection and the development of scientific ties.

In addition to joint activity to solve problems of a global scale, which is a principal, priority direction of socialist foreign policy, the Warsaw Pact countries attach great significance to initiatives contributing to a relaxation of tension and a strengthening of security in individual regions of the European continent. The program for the creation of a nuclear-free corridor along the line of contact of the Warsaw Pact and NATO countries 300 km wide, which was put forward jointly by the GDR and the CSSR; the idea proposed by Bulgaria and Romania of

making the Balkan peninsula a zone free of nuclear and chemical weapons; Romania's initiative concerning a moratorium on an increase in the military spending of the Warsaw Pact and NATO countries for a period of 1-2 years; and others may be cited among such proposals.

The socialist countries' approach to problems of international security is based on a considered and prudent combination of state interests, traditions and the geographical position of each of them and the common goals of the socialist community.

An example of an active international policy in the disarmament sphere has been set in recent months by Poland.

The Polish Government has repeatedly put forward proposals aimed at a halt to the arms race in Europe, a normalization of the situation on the continent and the creation of conditions for practical progress in the disarmament sphere. We would recall in this connection the plan proposed in 1957 for the creation of a nuclear-free zone, and in 1964, the plan providing for a nuclear arms freeze in Central Europe. The initiatives displayed by Poland would undoubtedly, if realized, permit an acceleration of the movement toward stability in Europe and a strengthening of security in the world.

In May 1987 W. Jaruzelski, first secretary of the PZPR Central Committee, put forward a plan for arms reduction and confidence-building in Central Europe, the basic provisions of which were detailed in a Polish Government memorandum issued in July. "The Polish Government is convinced," this document says, "that conditions exist at the present time contributing to the adoption of measures aimed at ensuring for European states undiminished and equal security given a level of their potentials considerably lower than the existing level".

The "Jaruzelski Plan" provides for the gradual withdrawal of and a reduction in jointly agreed types of operational-tactical nuclear weapons and also conventional arms and a change in the nature of military doctrines into strictly defensive doctrines.

The Polish initiative concerns a broad range of problems of the European continent, where a tremendous quantity of lethal weapons is concentrated. The plan encompasses the territory of Belgium, Hungary, the GDR, the FRG, Denmark, Luxembourg, the Netherlands, the CSSR and Poland, including their territorial waters and air space.

While geared to the strengthening of the security of its country and its allies, Poland's proposals contain nothing that would infringe the interests of other European countries.

Elaborated as a concept of regional agreements on disarmament issues, the Polish plan has become an integral part of the strategy of the entire socialist community. This was said plainly in a W. Jaruzelski speech: "Our

peace initiatives are of a specific, comprehensive and open nature. They are mutually complementary, linking national and regional priorities with the interests of the alliance as a whole."

Soviet foreign policy philosophy contains the idea of the consolidation of peace and assured international security by the collective efforts of all countries, regardless of their social system. At the same time it proceeds from the fact that the strengthening of the cooperation and interaction of the socialist countries is of paramount significance. Bilateral and multilateral meetings of the leaders of the socialist states and their reciprocal visits are imbued with concern for this.

The Soviet Union was visited in June by a GDR party-government delegation consisting of G. Mittag, member of the SED Central Committee Politburo and SED Central Committee secretary, W. Stoph, member of the SED Central Committee Politburo and GDR Council of Ministers chairman, G. Kleiber, deputy chairman of the GDR Council of Ministers, and others.

The main attention at the negotiations was paid to questions of the consistent implementation of the accords reached at meetings of leaders of the two countries during the Berlin meeting of the Political Consultative Committee in May on a strengthening of the complementarity of the national economies of the Soviet Union and the GDR and an intensification of integration in the sphere of the economy, science and technology. The high level of economic and S&T cooperation between the two countries which has been reached and the implementation of the large-scale measures contained in the long-term program of the development of cooperation between the USSR and the GDR in the sphere of science, technology and production for the period up to the year 2000 were noted.

It was observed that the consistent development of economic interaction between the USSR and the GDR at all levels and an improvement in its forms are becoming increasingly effective factors of the accomplishment of national economic tasks, a strengthening of the economic and S&T potential of the two countries and a rise in the well-being of their peoples.

The tremendous international significance of the changes being implemented in our countries, primarily in the sphere of the economy, and their influence on the state of affairs in the world were emphasized also. Questions of a further expansion and intensification of economic and S&T cooperation between the USSR and the GDR were thoroughly discussed in the course of the negotiations. Practical measures were outlined for the realization of the intergovernmental agreements concluded between them and the introduction of progressive new forms of economic interaction—the development of direct relations between enterprises, associations and integrated works and the creation of joint research teams

and industrial enterprises. The sides determined ways of further upgrading and expanding cooperation in such priority areas as microelectronics, robotics, electrical engineering, nuclear power, biotechnology and the creation of new materials.

Attaching great significance to determination of the prospects and directions of the further development of economic relations between the USSR and the GDR, the sides arranged to draw up a concept of economic and S&T cooperation up to the year 2000 in close linkage with the collective concept of the division of labor in the socialist community for the next 15-20 years and discussed fundamental questions of preparation for the coordination of the national economic plans of the USSR and the GDR for the period 1991-1995.

On 15 June M.S. Gorbachev met with J. Batmonh, general secretary of the MPRP Central Committee and chairman of the MPR People's Great Hural Presidium, who was in Moscow en route home following visits to Hungary and Bulgaria.

There was an exchange of information and opinions on the course of fulfillment of the decisions of recent congresses and plenums of the central committees of both parties, on the most important tasks of socialist building and the international activity of the Soviet Union and Mongolia and on the further development of bilateral cooperation.

The leaders of the fraternal countries emphasized the possibility of an increase in the efforts of the socialist countries and all states, large and small, for the purpose of a strengthening of peace and security in the Asia-Pacific region, the elimination of centers of tension and the development of good-neighbor relations.

A meeting was held on 28 July between M.S. Gorbachev and Heng Samrin, general secretary of the Kampuchean People's Revolutionary Party Central Committee and chairman of the Cambodian People's Republic State Council. It was emphasized on the Soviet side, inter alia, that the USSR was at one with the Cambodian Government's policy of national reconciliation, which corresponds to the people's cherished aspirations.

A solution of the Cambodia problem with regard for the fundamental interests of the Cambodian people and the political realities which exist in the region, M.S. Gorbachev emphasized, would not only lead to the restoration of peace in the ancient land of Angkor but would contribute to an appreciable improvement in the situation in Southeast Asia and the Asia-Pacific region as a whole. The world community has a right to expect that commonsense and political will prevail over confrontation.

In June USSR Foreign Minister E.A. Shevardnadze paid an official friendly visit to three East European socialist countries—Bulgaria, Hungary and Yugoslavia. In the course of his meetings with leaders of the foreign policy

departments and party figures and statesmen of the fraternal countries there was an exchange of opinions on problems of the socioeconomic development of our states and the progress of the restructuring in the Soviet Union and implementation of the plans outlined by the fraternal parties for a further improvement in production and social relations in their states and a broad range of international problems and questions of bilateral relations were discussed.

E.A. Shevardnadze notified Bulgarian, Hungarian and Yugoslav colleagues in detail of the Soviet Union's new initiatives in the sphere of disarmament, security and international cooperation. The leaders of the socialist countries expressed sincere support for the multilevel activity of the CPSU and the Soviet state in the creation of the foundations of an all-embracing system of international security, emphasizing particularly the significance of the USSR's flexible and constructive approach to such an important set of problems for the planet's fate as is on the agenda of the Soviet-American negotiations in Geneva.

In connection with the tasks pertaining to a strengthening of the potential of peace and disarmament in Europe we would like to emphasize that the utmost development of the all-European process, preservation of the "spirit of Helsinki" and the conversion of Europe into the "common home" of all those living here were and remain a principal direction of the Soviet Union's international activity.

Of the present summer's most notable events in the sphere of the USSR's relations with the West European states we may distinguish the visit to Austria in July of N.I. Ryzhkov, member of the CPSU Central Committee Politburo and USSR Council of Ministers chairman, and the visit to our country of FRG Federal President R. von Weizsaecker.

A whole number of promising agreements and contracts with firms and declarations of joint intent was signed during N.I. Ryzhkov's time in Vienna. New opportunities for future economic cooperation were revealed, as a whole.

Particular attention was paid in Soviet leaders' discussions with the FRG president to the existence of objective prerequisites for the development of our countries' mutually profitable cooperation. Acute, largely contentious issues of East-West relations, in Europe included, were touched on also.

M.S. Gorbachev's discussion with R. von Weizsaecker evoked particular interest. They agreed that relations between such states as the FRG and the USSR needed to be built on a substantial, long-term basis, with a perspective up to the year 2000 and beyond.

The Soviet leader welcomed R. von Weizsaecker's statement concerning the Moscow Treaty and the FRG's other treaties with the socialist countries as the basis of the FRG's policy in relation to East Europe. But when, he observed, we hear time and again that the "German question" is open, that all is not clear concerning the "lands in the East" and that Yalta and Potsdam were "illegal," doubts arise as to whether the FRG leadership is in a frame of mind to consistently adhere to these treaties.

M.S. Gorbachev highlighted particularly the question of the significance of the relations between our countries for the development of the situation in Europe and throughout the world. He emphasized that the soundness of relations between the FRG and the USSR would be of truly historic significance. While remaining within their systems and their alliances, both states could play a very big part in world development. The stability of relations between them would mean stability in Europe and correspond to the interests of they themselves and the European and world community of states. There is now, M.S. Gorbachev said, an opportunity to rethink relations between the two countries. We are prepared for this, but it is necessary to have done with complexes, political myths and the image of the enemy in the shape of the Soviet Union.

R. von Weizsaecker touched on the question of the German nation. If this problem is seen from the political viewpoint, M.S. Gorbachev emphasized, there are two German states with different sociopolitical systems. They have their own values. They have both learned lessons from history, and each can make its contribution to the cause of Europe and peace. As to what the case will be in 100 years, history will decide.

3. International Security: Regional Aspects

The idea of the indivisibility of peace as a most important postulate of Soviet foreign policy philosophy implies the common responsibility of the states of today for the fate of civilization. Security in the world cannot be ensured even by having settled problems in this region or the other and this part or the other of the globe. All must participate in the accomplishment of this task. Security can only be general or it will be imaginary. It may be achieved only by having eliminated all "flash points," having resolved all contentious issues, without detriment to others, and having removed the accumulated disagreements and contradictions of an interstate nature on the paths of respect for the legitimate interests of all countries and mutually profitable cooperation between them. It is for this reason that the socialist community countries support the elimination of regional conflicts and the conversion of civilized relations between them into a rule of international life.

There has been a marked stimulation in recent years in the policy of the USSR and other socialist countries in the Asia-Pacific region. The events occurring in this part of the world and the development trends of the situation

testify to the opportuneness of the Soviet Union's formulation of the question of the incorporation of the Asia-Pacific region in the general process of the creation of an all-embracing system of international security.

The problems of security in Asia are, of course, extremely complex. As distinct from Europe, where, albeit not as effectively as might be desired, a concerted mechanism designed to contribute to the maintenance of stability on the continent operates, in the Asia-Pacific region the picture is different: no such multilateral system exists, and there is practically no experience here of the solution of regional security issues. In a number of cases social, economic, political, national and other antagonisms—both within individual countries and between them—are exacerbated. Dangerous centers of conflict persist. Political barriers are less clearly drawn than in Europe. Contrasts of development are striking. The accelerated movement of a number of states, primarily Japan, toward the foremost boundaries of S&T progress is the next-door neighbor here of the horrifying poverty of other countries. According to information of the UN Economic and Social Commission for Asia and the Pacific, 518 million persons are living under conditions of absolute poverty, which constitutes 89 percent of the world's poor.

A particular threat to Asian and international security emanates from the gathering pace of militarization of the region and the growth here of arsenals of nuclear and conventional arms. The Pacific zone as a whole is not yet as militarized as Europe. But the potential of this process is enormous, and considering the existence of conflict situations, the consequences of this would be extremely dangerous. The United States has deployed nuclear weapon delivery systems at its bases in Japan. There are approximately 1,000 American nuclear warheads and numerous delivery systems therefor on the territory of South Korea. Washington has resolved to deploy here—in the south of the peninsula—Lance operational-tactical missiles capable of carrying both conventional and nuclear and neutron warheads.

There has in recent years been a stimulation of U.S. imperialist circles' attempts to use the Asia-Pacific region as an arena of military-political confrontation with the USSR and other socialist countries and as a proving ground of the struggle against the forces of national and social liberation. All this makes the situation in Asia and the Pacific highly complex, tense and contradictory and confronts the states concerned with the task of seeking in unison ways to strengthen peace in this region.

The USSR's approach to Asian security and the Soviet plan of comprehensive action in this direction were set forth in documents of the 27th CPSU Congress and in M.S. Gorbachev's speech in Vladivostok in July 1986 and his replies to questions from the Indonesian newspaper *Merdeka*. The Soviet program proposes primarily

a settlement of regional conflicts: erecting a barrier in the way of the proliferation and buildup of nuclear weapons in Asia and the Pacific; beginning negotiations on a reduction in the activity in the Pacific of navies, primarily ships equipped with nuclear weapons; resuming the negotiations on making the Indian Ocean a zone of peace; moving bit by bit, in stages, toward a radical reduction in armed forces and conventional arms in Asia to a reasonable sufficiency; putting on a practical footing the discussion of confidence-building measures and the nonuse of force in the region.

The USSR has begun the practical implementation of this program, having proven in practice its devotion to the idea of the creation of an Asian system of security and its readiness for the constructive solution of the problems troubling the peoples of this part of the world.

A practical step in its realization was, specifically, the withdrawal from Afghanistan and Mongolia of a number of units from the limited contingents of Soviet forces temporarily stationed in these countries at the request of their governments.

The changes for the better in Soviet-Chinese relations are conducive to a strengthening of security in Asia. The USSR and the PRC occupy identical or close positions on many international problems. Our two socialist states have been the sole nuclear powers to undertake never to be the first to use nuclear weapons. The report that the USSR was ready to discuss with the PRC specific steps aimed at a commensurate lowering of the level of the two sides' ground forces elicited extensive world comment.

There has in recent years been, albeit not as active as one might have wished, a gradual normalization of and certain improvement in bilateral relations between the Soviet Union and China.

At the invitation of the National People's Conference a delegation of the legislative proposals commissions of the USSR Supreme Soviet Council of the Union and Council of Nationalities headed by G.P. Razumovskiy, chairman of the USSR Supreme Soviet Council of the Union Legislative Proposals Commission and CPSU Central Committee secretary, visited the PRC at the start of July.

Speaking at a reception in honor of the Soviet delegation, Peng Chong, deputy chairman of the National People's Conference and chairman of the National People's Conference Legal Commission, expressed confidence that regular contacts between the highest organs of power and their standing commissions would contribute to a deepening of mutual understanding and a strengthening of the traditional friendship between the peoples of the two countries. China attaches great significance in the process of socialist modernization, he said, to the study and borrowing of the useful experience of other countries, socialist primarily.

The process of settlement of certain contentious issues complicating bilateral relations continues.

The second round of Soviet-Chinese negotiations on border issues was held from 7 through 21 August in Beijing. The Soviet Government delegation was headed by I.A. Rogachev, deputy USSR foreign minister, the Chinese, by Qian Qichen, deputy PRC foreign minister.

In the course of the negotiations the Soviet and Chinese sides discussed border issues on the eastern part of the Soviet-Chinese border. Both sides advocate a rational solution of the border issues on the eastern part of the border on the basis of the corresponding treaties concerning the present Soviet-Chinese border and in accordance with the principle of demarcation along the middle of the main channel on navigable rivers, and on nonnavigable rivers, along the middle of the river or the main branch. Agreement was reached on the fact that together with the continuation of the border negotiations at delegation level the sides would create a working group of experts for the specific study of the path of the line of the border the length of its eastern part.

The PRC's relations with the East European socialist states have been stepped up. Zhao Ziyang, acting general secretary of the CCP Central Committee and PRC State Council premier, visited Poland, the GDR, Czechoslovakia, Bulgaria and Hungary in June. Meetings and negotiations were conducted at the highest level. The press of the East European socialist countries evaluated the results of the visit highly and emphasized that the deepening of relations with the PRC serves the interests of socialist building and is a contribution to the socialist countries' efforts aimed at strengthening general peace.

Time has confirmed the viability of the ideas contained in the Vladivostok program. Striking evidence of this was the Delhi Declaration signed by M.S. Gorbachev and Indian Prime Minister R. Gandhi, which recorded the principles of a nonviolent world free of nuclear weapons. The adopted document has become a symbol of the new political thinking in international affairs and a nontraditional political-philosophical approach to fundamental problems of interstate relations. The declaration is not of a narrow regional nature, and the principles formulated therein express values common to all mankind and are in keeping with the loftiest ideals of democratic thought.

The Rarotonga Treaty, which proclaimed the South Pacific a nuclear-free zone, was drawn up. The conference this summer of ASEAN foreign ministers discussed the question of the creation of a nuclear-free zone in Southeast Asia. The sponsors of this idea—Indonesia and Malaysia—proposed using the Rarotonga Treaty as a model. Among other positive changes on the continent attesting the growth of the interest of the population of countries of the Asia-Pacific region in ridding themselves of nuclear weapons we may put the growing demands for the removal from the Korean peninsula of

American nuclear weapons, the inclusion in the wording of the new Philippines Constitution of a provision to the effect that the Philippines would pursue a policy of the renunciation of nuclear weapons on its territory, China's assertiveness in disarmament questions and the decisive condemnation by Australia and New Zealand of French nuclear tests in the Pacific.

However, as a whole, the situation in the Asia-Pacific region remains complex and contradictory. Pakistan's nuclear program has become a destabilizing factor. Dangerous international conflicts, whose settlement is frequently being impeded by the position of imperialist countries, persist. An explosive situation has been created in the Persian Gulf.

The United States, followed by France and Great Britain, dispatched its warships on the pretext of the defense of "freedom of navigation" in the gulf zone. Approximately 60 foreign warships are already in or heading for this region. Approximately 40 ships of the U.S. Navy, including aircraft carriers and landing ships, are now concentrated here. They have more than 25,000 servicemen on board. There are several Soviet ships in the Persian Gulf also. But they are performing the function of escorting our merchant ships and are totally unrelated to the spurring of tension.

The "tanker war" unleashed in the Persian Gulf was a consequence of the continuing military confrontation between Iraq and Iran. In several years over 330 ships of various countries had come under fire and been blown up by mines. The position of Kuwait, which was experiencing strong pressure on the part of Iran, was particularly unpleasant. A measure adopted by Kuwait to protect its interests was a request to the Soviet Union that it make available several of our tankers. Considering the difficulties which the friendly state was encountering, the Soviet side agreed to this. As of this May three Soviet tankers (the "Marshal Chuykov," "Marshal Bagramyan" and the "Makhachkala") have been participating in the shipment of Kuwaiti oil to various countries.

Proceeding from the need for the adoption of decisive measures for an improvement in the situation in the region, as a Soviet Government statement of 3 July observes, the USSR proposes that all warships of states not belonging to this region be withdrawn from the waters of the gulf as quickly as possible and that Iran and Iraq, in turn, refrain from actions which could create a threat to international shipping.

The Soviet Union consistently advocates the speediest end to the Iran-Iraq war and the solution of contentious issues between Iraq and Iran not on the battlefield but at the political negotiating table. Particular significance in this connection is attached to the political efforts currently being made within the UN framework and the peace-making mission of its secretary general. Together with other members of the Security Council the USSR considers essential effective measures in this direction,

specifically, an immediate cease-fire and an end to all military operations and the immediate withdrawal of the sides' forces to internationally recognized boundaries. Account needs to be taken of both sides' legitimate interests here, of course.

The high-minded position of the Soviet Union was set forth in the course of a meeting on 2 July between A.A. Gromyko and N.I. Ryzhkov and T.Y. Ramadan, member of the Revolutionary Command Council and first deputy prime minister of the Republic of Iraq, who was on an official visit to Moscow. The stable nature of friendly Soviet-Iraqi relations, which are based on the firm foundation of the friendship and cooperation treaty, is underpinned by an aspiration to their expansion and intensification in various fields. The importance of trade and economic cooperation between the two countries for the development of such key sectors of Iraq's economy as oil production, power engineering and irrigation was noted here.

The USSR's opinion on problems of a normalization of the situation in the Persian Gulf region and a settlement of the Iran-Iraq conflict was conveyed to the Iranian side in the course of a discussion (on 17 July in Moscow) between A.A. Gromyko and M.D. Larijani, representative of the Islamic Republic of Iran and deputy foreign minister of Iran, and the persons accompanying him.

Throughout the summer there were other contacts also between representatives of the USSR and the belligerents. We may cite among them the visit by Yu.M. Vorontsov, first deputy USSR foreign minister, to Baghdad and Tehran and the meetings in New York between V.F. Petrovskiy, deputy USSR foreign minister, and the leaders of the Iraqi and Iranian delegations at the conference on the interrelationship between disarmament and development.

Such an above-mentioned large-scale Soviet initiative as the proposal concerning a "global double zero" announced in July by M.S. Gorbachev in replies to questions from the Indonesian paper *Merdeka* testifies to the USSR's constant search for new ways of strengthening international security, in the Asia-Pacific region included. This proposal, which was put on the agenda of the USSR-United States Geneva negotiations, applies directly to the Asia-Pacific region also.

Other proposals concerning possible measures aimed at ensuring security in the Asia-Pacific region were also expressed in the replies to the questions from the newspaper *Merdeka*. Specifically, it was observed that the USSR was ready to undertake not to increase the numbers of nuclear weapon-carrying aircraft in the Asian part of the country if the United States did not additionally deploy in this region nuclear weapons which reach Soviet territory.

A readiness to reduce naval activity in the Pacific was confirmed also. After all, the line of confrontation runs there along the juxtaposition of the fleets. A limitation of the areas of navigation of ships carrying nuclear weapons such that they not approach the coastline of the other side to a distance of the range of their on-board nuclear weapons could be negotiated. Antisubmarine rivalry could be limited, and antisubmarine activity, aviation included, in certain zones could be prohibited. It might be possible in order to strengthen trust to reduce the scale and number of large-scale naval (including naval aviation) exercises and maneuvers in the Pacific and Indian oceans, not to conduct them in international straits and their adjacent areas and not use at exercises combat equipment in the zones of traditional sea lanes. All these initiatives could be tested in the Northern Pacific and then extended to its southern waters and other countries of the region.

The USSR considers it essential to move from standstill the business of making the Indian Ocean a zone of peace in accordance with the UN declaration adopted 15 years ago and to convene, finally, under the aegis of this organization an international conference (which Washington has hitherto opposed). Our country proposes the creation of international security guarantees for shipping in the Indian Ocean and in the seas, straits and bays which are a part thereof and also guaranteed security for air traffic and the formulation of collective measures against terrorism on sea and air routes in the Indian Ocean.

The Soviet concept of Pacific security proceeds from the fact that as all these and other steps are implemented it will be possible by means of bilateral efforts to seek the solution of contentious, frequently conflict, issues, strengthen the atmosphere of trust, create the prerequisites for the convening of an all-Asia forum and embark on the development of a wide-ranging security process similar to that which is under way in Europe.

The Soviet Union understands here, of course, that the automatic projection of the European experience onto Asia is inapplicable and unnecessary. We are not in the least disregarding the specifics of the Asia-Pacific region, for which we are frequently unjustly reproached by opponents of the idea of Asian security.

Nor are we imposing on anyone any readymade "prescriptions" for Asia. It is a question of the embodiment in practice by the joint efforts of states of the region, with regard for the Helsinki experience, of the principles and realization of the initiatives which are put forward by the Asian countries themselves.

Soviet-Indian relations, which strengthen from year to year, are a convincing example of relations built on mutual trust, equality and benevolence and to a large extent community of approaches to key problems of international security. Relations between the USSR and India represent a real embodiment of the humane ideas

contained in the Delhi Declaration—profound allegiance to the inviolability of borders and the independence of states, democracy in the world community and peaceful coexistence based on tolerance of social, economic and other differences. "Our friendship," Indian Prime Minister R. Gandhi observed, "is a model of fruitful coexistence. Despite the differences in our historical heritage and between our socioeconomic systems, Indian-Soviet relations are characterized by an exchange of ideas and experience and the mutual enrichment of the cultures of our two countries. We are mutually enriching the life of our two peoples and preserving and developing the distinctiveness of our two societies."

These words are corroborated by a quite striking example. The opening on 3 July in Moscow of the national festival of India in the USSR was an unprecedented event in the history of the two countries and in international practice generally. For a year stage platforms and art galleries, sports and concert halls and exhibition complexes and stadiums of more than 100 cities of the Soviet Union will be put at the disposal of the emissaries of the friendly country. Soviet people will be able to familiarize themselves considerably more fully than previously with India's achievements in various spheres of culture and art and science and technology and with the distinctiveness of its folk customs and traditions. More than 2,000 outstanding figures of Indian culture and art will visit our country. A festival of the USSR in India will begin in November.

A tribute of respect and grateful remembrance was the unveiling in Moscow of a monument to an outstanding person and statesman of India—Indira Gandhi—who made such a substantial contribution to the strengthening of Soviet-Indian relations.

Discussions took place between M.S. Gorbachev and R. Gandhi at the start of July. They examined in depth a number of international problems, particularly those which directly affect the security of the two states, and discussed most important questions of bilateral cooperation, which is reaching qualitatively new frontiers.

Paramount attention was paid to questions of bilateral Soviet-Indian cooperation, including basic directions for the future. Realization of the accords reached at the time of the top-level negotiations in Delhi and in Moscow will, as the parties observed, afford an opportunity for ensuring a genuine turning point throughout the system of Soviet-Indian relations and making more efficient use of the production and scientific potential of the two states.

Switching more actively to new forms and methods of cooperation, development of the cooperation and specialization of production and the establishment of direct ties between Soviet and Indian ministries, associations, enterprises and firms—such was the mutual aspiration of the sides confirmed in the course of the negotiations. Specific questions connected with the creation in the

USSR and India of joint ventures, the realization of Soviet-Indian projects in the S&T sphere, the deepening of joint labor and the development of trade were discussed also.

In the course of the visit M.S. Gorbachev and R. Gandhi signed a comprehensive long-term program of S&T cooperation between the USSR and India.

Speaking of the significance of his visit to the Soviet Union, R. Gandhi emphasized: "Going far beyond the framework of the customary courtesies and formalities of a state visit, this visiting of your country has led to a friendship between our peoples which has been the core of our mutual relations for more than three decades now."

Cooperation between the Soviet Union and Afghanistan has continued to develop in the spirit of the evolved good traditions.

In July M.S. Gorbachev met with Najib, general secretary of the People's Democratic Party of Afghanistan Central Committee, who was paying a brief visit to the Soviet Union. The leaders of the two parties examined in detail questions of Soviet-Afghan relations, the set of problems connected with Afghanistan and also additional steps and measures in the interests of the speediest normalization of the situation surrounding the DRA.

Najib described the implementation of the program of national reconciliation and constructive initiatives concerning various aspects of social and political and economic life. What catches the attention primarily? The dialogue with the opposition is expanding. A policy of the formation of a coalition government and the unification of national, patriotic forces and all who support a peaceful, nonaligned Afghanistan had been adopted. The country's draft new constitution has been submitted for nationwide discussion and a law on political parties providing for the creation or legalization of those other than the PDPA and political organizations and their publication of their press organs has been enacted. The Afghan Government has extended the cease-fire until 15 January 1988. The Afghan side has made a number of additional proposals to the governments of Pakistan and Iran aimed at a normalization of bilateral relations with these countries and a settlement of the situation in the region as a whole.

We may already speak of the first results of the policy of national reconciliation, Najib emphasized. However, unfortunately, military operations on long-suffering Afghan soil are not as yet abating. They are now being conducted mainly by bands of mercenaries dispatched by extremist groupings entrenched in neighboring Pakistan. The United States, Great Britain and certain other countries have sharply increased their military assistance to the counterrevolutionaries. And this has occurred precisely since the start of implementation of the reconciliation program.

M.S. Gorbachev noted the concurrence of the assessments of the USSR and the DRA as regards the development of the situation in Afghanistan and around it. The policy of national reconciliation corresponds to the fundamental interests of the Afghan people and all who are really interested in a political settlement of the situation. No one in Afghanistan and outside it has proposed a reasonable alternative to this policy. The Soviet leader emphasized that the USSR wished to continue to see Afghanistan as an independent, sovereign and nonaligned state. What path it takes, what kind of government it has, what development programs are implemented—this is for the Afghan people to decide, this is their sovereign right.

The problems concerning the explosive situation in Southern Africa occupied a central place in M.S. Gorbachev's discussion (27 June) with R. Mugabe, president and first secretary of the Zimbabwe African National Union-Patriotic Front Party and prime minister of the Republic of Zimbabwe. As chairman of the nonaligned movement, he was the honorary guest of the World Congress of Women being held in Moscow. The main attention was paid to these problems also at the negotiations (3 August) between M.S. Gorbachev and J.A. Chissano, chairman of the FRELIMO Party and president of the People's Republic of Mozambique, who was in the Soviet Union at the head of a party-state delegation on an official friendly visit.

The leaders of Zimbabwe and Mozambique emphasized that the difficulties which their countries are currently experiencing and the conflict situation which has taken shape in the region have been caused by the fact that the Pretoria regime is intensifying the repression against the indigenous population of the country and pursuing a strategic line of the political and economic destabilization of the "front-line states," putting armed pressure on them and interfering in their internal affairs.

The Soviet side condemned the policy of the United States and other Western countries supporting the racist South African regime. They are endeavoring to preserve it to keep the African peoples under their control and take advantage of their resources in selfish interests. The Soviet Union's invariable support for the peoples of the "front-line states" and other African countries which have embarked on the path of independent, progressive development was affirmed. Solidarity with the peoples' just struggle for national and social liberation and independence was and remains invariable.

An unabating center of military danger remains the Near East. Much has been done recently to direct the development of the conflict into the channel of a settlement and seek a solution of the complex problems at the basis thereof.

The position of the Soviet Union on the question of a settlement of the Near East conflict is well known. While opposed to the policy of partial and separate deals, the

USSR remains a consistent supporter of collective methods of achieving an all-embracing and just Near East settlement by means of a genuine and effective international conference under the aegis of the United Nations and given the participation of all interested parties, including the PLO.

The Soviet Union has rendered and continues to render the Arab peoples' just struggle for their free, independent development the utmost support. A graphic example of this are our relations with Syria, which are distinguished by an equal and mutually profitable nature and unity of views in the approach to the solution of many important international problems, including a Near East settlement.

The support of the USSR and the other socialist countries is important to Syria, around which the West has persistently attempted to create a wall of isolation, accusing Damascus of involvement in international terrorism. Such groundless charges have been used by a number of Western countries for a political and diplomatic boycott of Syria. The hope here was to exclude it from participation in international and regional affairs. True, certain changes have appeared recently. Evidence of this is the decision adopted at a recent meeting in the Danish capital by EC member representatives to lift the ban on political contacts with Syria at the highest level. Damascus was recently visited by Washington's emissary, V. Walters, following which reports of a return of the American ambassador appeared.

An essential element of the USSR's approach to the untying of the Near East knot of contradictions is its attitude toward Israel. The main obstacle in the way of the establishment of diplomatic relations with this country is Israel's aggressive, militarist policy in the Near East. The Soviet Union has expressed a readiness to normalize relations with Tel Aviv. But this is only possible in the context of an all-embracing settlement of the Near East conflict.

Direct bilateral relations are practiced in respect of a number of questions. Thus in July a group of USSR Foreign Ministry consular officers traveled to Israel. Its mission included the solution of questions of a consular nature connected with the residence of Soviet citizens in Israel and also on-the-spot study of the condition of Soviet real estate and regularization of its legal status. The group had no other tasks.

In the course of the preparation of this visit Tel Aviv representatives attempted to raise the question of the position of citizens of Jewish nationality in the USSR, which could not be termed anything other than interference in its internal affairs. In addition, Israeli representatives raised the question of a visit to Moscow by its group with similar aims. In this case, we would note, application of the reciprocity principle was inappropriate: Israel has no real estate in the Soviet Union nor are there Israeli citizens permanently resident in the USSR.

An exchange of opinions on the Near East situation and ways to achieve a just settlement of the pivotal problem of the Near East conflict—the Palestine problem—in the context of an all-embracing settlement in this region was held in the course of a working visit to Moscow on 22-23 June of a PLO Executive Committee delegation headed by F. Kaddoumi, leader of its political department. The delegation was received by E.A. Shevardnadze. There were discussions with F. Kaddoumi and the other Executive Committee members in the delegation in the CPSU Central Committee.

The Soviet side confirmed anew its solidarity with the Palestinian people's just struggle for their freedom and independence under the leadership of the PLO—their sole legitimate representative. The attempts to circumvent the question of the assured rights of the Arab people of Palestine to freely determine their fate and substitute for it separate deals without regard for the interests of the Palestinians are tying still tighter the knot of problems of the region and undermining the process of a Near East settlement.

While developing and deepening cooperation with its traditional partners in international dealings the Soviet Union actively supports an enhancement of the level of relations with countries with which a dialogue corresponding to modern realities has not for this reason or the other been established with it until recently. At the invitation of the government Malaysian Prime Minister M. Mohamad, who had a meeting with M.S. Gorbachev and conducted negotiations with V.S. Murakhovskiy, first deputy chairman of the USSR Council of Ministers, paid an official visit to the USSR from 29 July through 5 August 1987.

An agreement on sea transport and an agreement on avoidance of dual taxation were signed between the governments of the USSR and Malaysia during the visit. An agreement on cooperation between the USSR Trade and Industry Chamber and the Malaysian National Chamber of Commerce and Industry will perform an important role.

Such is a far from complete roundup of the contacts, meetings and negotiations which occurred in the summer months between our country and the developing states. However, even it provides an idea of the entire diversity of the problems discussed in the course of them and the significance of these relations for the solution of the important and complex problems confronting the world community.

Seventy years of October mean 70 years of the Soviet state's struggle for peace. Under the current difficult international conditions Soviet foreign policy is invariably based in the traditions of Lenin's Decree on Peace on the main principle: doing everything necessary to ensure for the Soviet people the possibility of engaging in constructive labor and living in peace with all peoples.

"The 70th anniversary of October," the CPSU Central Committee address to the Soviet people observed, "falls in a situation wherein the human race itself is facing the problem of survival. The future of the world—a contradictory, but single and interconnected world—is being determined today. The planet can and must be delivered from the threat of nuclear war. Life under conditions of security, independence and progress can and must be ensured for all peoples. Not everything depends on us—on the USSR, on socialism—here. But what does, we will do and will do in full."

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Certain Identity of Economic Views With Social Democrats Seen

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[Article by V. Pankov: "Social Democrats on Economic Cooperation in Europe"]

[Text] There has been a change in the direction of foreign policy realism in the 1970's-1980's in the activity of the vast majority of parties of the Socialist International (social democratic, socialist and labor). The social democrats occupied a prominent place among the West's social forces which recognized the need for peaceful coexistence and which supported the corresponding initiatives of the socialist states and made a marked contribution to the relaxation of international tension in the 1970's. An understanding has become firmly established in the social democratic movement as a whole that the fundamental ideological differences between communists and social democrats must not be an obstacle to their dialogue and interaction in the interests of the consolidation of peace.

Under conditions where the most aggressive militarist circles of imperialism, American primarily, have adopted a policy of undermining detente social democracy has displayed an aspiration to counteract man's slide to the brink of nuclear catastrophe. Its documents contain propositions and declarations testifying to an interest in a return to detente. Many parties of the Socialist International are taking within the framework of the political opportunities at their disposal specific steps for an improvement in the international situation which are meeting with a positive response in the socialist countries. "The fight against war must be won without fail," the CPSU Central Committee address to the 17th Socialist International Congress in June 1986 in Lima emphasized. "A guarantee of success in this fight is the growing support for the demands of peace and disarmament by the international community, to whose influence particular significance is attached in our day.

For this reason we value highly the corresponding efforts of the Socialist International—an influential political force on the international scene."

In recent years the Socialist International has increasingly been moving beyond the framework of West Europe in terms of its composition and sphere of political aspirations. At the same time its leading detachment remains West European social democracy, whose position is making a pronounced mark on the state and evolution of relations between the states of the two social systems, in the economic sphere included.

I

In the 1970's-1980's the leaders of West European social democracy have come to a greater extent than previously to take into consideration the profound interest of broad strata of the population of capitalist states in the development of mutually profitable business exchanges with the socialist countries and a strengthening of the foundations of the peaceful coexistence of the two social systems. Thus B. Craxi, political secretary of the Italian Socialist Party, observed: "I am more convinced than ever that the development of economic relations creates a firm foundation for efforts geared to the establishment in practice of conditions of greater trust and international understanding and the peaceful progress of the peoples."

The decisions of the SPD Nuremberg (1986) Congress emphasize that economic relations between the EC and CEMA and also bilateral relations between the states of the two systems are designed "to stimulate the development of common interests, thereby creating political trust and a readiness for the peaceful solution of conflicts" (1). This idea permeates the concept of the "second phase of detente policy" which was advanced by theorists of the SPD and which was approved by the 17th Socialist International Congress, which called on the United States and the USSR to begin a "new phase of detente". Pertaining to the three main components of this phase, as SPD Deputy Chairman J. Rau defined it, is (together with the elimination of Eurostrategic arms and increased East-West cultural exchange) "the intensification of economic relations between West and East Europe, including technology transfers" (2).

Such views of the social democrats differ appreciably from the concepts of the opponents of detente, including the representatives of neoconservative currents in bourgeois political economy expressing the interests of the military-industrial complex. The idea of the need for a winding down of East-West economic relations inasmuch as they are allegedly of benefit only to the socialist countries, particularly in the sphere of the extension of credit for foreign trade transactions and technology exchange (3), is propagandized extensively in bourgeois economic science and current affairs writing. However, it would be absurd to think that Western firms, guided

solely by the principles of commercial calculation, might regularly enter into commercial deals profitable only to the other contracting parties, from the socialist countries even less.

Social democratic ideologists and politicians recognize, as a rule, that bourgeois concepts concerning the "East's one-sided advantages" have no in any way convincing theoretical substantiation. Their scientific publications and documents emphasize that the West also is for many reasons interested in business cooperation with the East. Thus the program of Great Britain's Labor Party observes that "cooperation (economic—V.P.) is mutually profitable, whereas a rupture of the East-West dialogue would harm peace and security throughout the world" (4).

Substantiating the expediency of the further development of East-West economic relations, the social democrats have repeatedly evaluated highly the USSR and a number of other socialist countries as contracting parties in the sphere of business exchange. B. Kreisky, prominent Socialist International figure and former leader of the Austrian Socialist Party (OSP), observed, for example, that the East "has always been an impeccable trading partner."

Official documents of the Socialist International parties emphasize the positive impact of these relations on the economy of capitalist countries and the position of the working people. Thus the decisions of the SPD Munich (1982) Congress speak of the importance of trade with East European states for the economy and policy and for providing employment in the FRG (5). This viewpoint of the social democrats reflects the actual state of affairs. Trade with the East assures approximately 500,000 jobs in the FRG and more than 150,000 in Austria. In Finland trade with the Soviet Union alone provides jobs for almost 150,000 working people, and in France, for over 100,000. As a whole, trade and economic cooperation between countries of the two social systems directly or indirectly contributes to providing or maintaining employment for 2 million persons in West Europe.

II

Occupying a quite realistic position on fundamental issues of East-West economic relations and having rendered their development in the detente period substantial assistance, social democracy has in recent years aspired to prevent the demolition of what has been achieved and stimulate further progress in this sphere.

As distinct from many bourgeois ideologists and politicians, the social democrats, as a rule, consider undesirable and harmful to the West various measures artificially restricting economic relations with the East for political motives. Many prominent figures of Socialist International parties adopted a sharply negative attitude

toward the attempts made by the J. Carter administration and then the R. Reagan administration to blackmail the socialist community countries with a policy of "sanctions" and to forcibly involve West European states in such a policy.

Thus P. Mauroy, prominent figure of the French Socialist Party (PSF) and former French premier, declared: "The Americans have no right to demand of the Europeans sanctions, which impose big economic and social burdens on us." N. (Nergor), a leader of Denmark's Social Democratic Party, advocating the maximum possible liberalization of trade between states of the two social systems, observed: "We consider imprudent any customs, credit or other measures restricting East-West trade."

Criticizing the American "sanctions" policy, social democratic theorists advanced against it a whole number of telling arguments. Primarily such a policy sets a dangerous precedent in international economic relations. It could lend new impetus to trade protectionism with all the consequences ensuing therefrom and undermine the rules of international law. In this connection experts of parties of the Socialist International paid special attention to proving the incompatibility with the generally recognized rules of law of bans on exports to socialist countries by West European branches of American firms of equipment manufactured per technology of their mother companies (the R. Reagan administration imposed such bans in 1982 on supplies of equipment for the Urengoy—Pomary—Uzhgorod gas pipeline). The said branches, W. Deubler (SPD) emphasized, come under the jurisdiction of the national law of the countries in which they are located and "cannot be controlled by enactments of the American state. The sovereign dispositions of another state do not operate 'ex-territorially'. These dispositions have force only within the boundaries of that state" (6).

Some social democrats rightly pointed to the fact that an embargo and other trade and economic restrictions would strike boomerang-fashion at the interests of the West and would at the same time not harm the USSR and its allies, on which the U.S. Administration was counting. In the opinion of H. Glueck (OSP), the "sanctions" were "particularly unwise in the field of technology—after all, they frequently had precisely the opposite effect" to that for which their sponsors hoped (7).

B. Kreisky termed "imbecilic" the assumptions that the USSR could be brought to its knees by economic means and repeatedly adduced arguments against such assumptions. For example, in an interview for the journal of the FRG's business circles he said: "Some things may be delayed, but no more. It is foolish to believe that the Soviet Union cannot exist without supplies from the West. This reminds me of the boundless amazement at the time when the Soviets sent their satellite into space: 'How is such a thing possible in a country with backward technology!'... Such an important state as the Soviet

Union can overcome perfectly well the difficulties arising on account of economic sanctions.... After all, there were such sanctions at the time of the cold war, but they did not function very well" (8).

As is known, under pressure from the R. Reagan administration there has in recent years been a stimulation of the policy of sanctions along the lines of Cocom—the coordinating committee for controlling exports to the socialist countries and virtually a NATO appendage. Washington's policy in respect of CoCom is criticized in press publications of the Socialist International parties. In the opinion of H.-D. Jakobsen (SPD), this policy "creates the more problems, the stronger the intra-economic pressure brought about by the slowing in the growth of the economy and the increase in unemployment." Together with this Jakobsen noted that the United States' attempts via CoCom to "discipline" its NATO partners "damage primarily the Atlantic alliance itself and affect to a lesser extent the addressees of export control proper, namely the USSR and other states in which communists are in power" (9).

Additional restrictions on East-West relations are being imposed by the United States' policy of enlisting West European and certain other capitalist countries in realization of the "strategic defense initiative". Social democracy, as is clear from documents of the 17th Socialist International Congress and many parties which are members of this organization, evaluates negatively, as a whole, the United States' intention of undermining the ABM Treaty and engaging in the militarization of space. "The 1972 ABM Treaty between the USSR and the United States," the Lima Manifesto of the 17th Socialist International Congress says, "should be preserved and strengthened. Outer space must be used solely for peaceful purposes" (10). A negative attitude toward the American SDI program was expressed by the 15th congress of the union of social democratic parties of EC countries in May 1987.

This position of the social democrats is determined not only by an endeavor to prevent an undermining of the military-strategic balance but also the economic interests of West European countries, which are far from identical to American interests. The essence of this position was clearly formulated by J. Rau as a counterweight to Bonn's policy of associating the FRG with the SDI. "The federal government," Rau observed, "has granted the United States the right of far more extensive interference in the foreign trade of German firms than is possible through the so-called CoCom list. German firms participating in the SDI will be subordinated to American injunctions concerning preservation of the secrecy of exports and technology transfer. Use of the results of research for civil purposes is severely restricted. This means that the agreement concluded by the federal government is fundamentally contrary to our country's economic and political interests. After all, trade with the East has always been for us something more than a purely economic matter" (11).

Realistic, constructive elements in the concepts of social democracy on problems of economic relations between states of the two systems are frequently backed up by practical steps. Taking advantage of their government, parliamentary and other political prerogatives and possibilities, in 1982-1983 the socialist, social democratic and labor parties of France, Italy, Great Britain, the FRG and certain other West European countries put up active resistance to the U.S. Administration, which was attempting to thwart supplies of equipment for the Urengoy—Pomary—Uzhgorod gas pipeline.

In subsequent years the socialist and social democratic parties of Austria, Spain, Italy, France, Finland and Sweden, which were in office, adopted measures, of a treaty and legal nature included, to further expand trade and economic, industrial and S&T cooperation with the USSR and other socialist community states.

The political actions of the Socialist International parties pertaining to the establishment, maintenance and development of economic relations between states of the two social systems were not only a factor counteracting the destabilization of the international situation but also contributed to the growth of the prestige in the world of social democracy itself and its influence on global processes. Encountering a positive response in broad strata of the working population of Western states, such actions secured for the social democrats, as a rule, appreciable election support. Considering this, many leaders of social democracy, despite warnings and shouts from Washington, deem it expedient to seek potential for an expansion and intensification of East-West business exchange.

The social democratic leadership as a whole evaluates positively the new forms of East-West economic relations and advocates their further dissemination and enrichment. Its views on the problem are close to a large extent to the position of the communist and workers parties of the socialist community countries. Thus the communique on the negotiations of delegations of the CPSU and Finland's Social Democratic Party (1986) emphasizes that both parties will contribute "to the development of production cooperation, the creation of joint enterprises and works and the introduction of other new forms of trade and economic cooperation".

The social democrats recognize that such forms necessarily presuppose their linkage with an improvement in S&T cooperation and the development of joint R&D on a bilateral and multilateral basis. Thus H. (Vichorek-Tsoyl), member of the SPD Board and member of the European Parliament, considers possible and mutually useful the association of East European socialist states in the Eureka program. He believes that the experience of cooperation of the countries of the EC and North Europe within the framework of the COST S&T program, which provides for R&D in respect of 14 areas (information science, the ecology, biotechnology and others), could be

used for this. "Cooperation agreements could be concluded analogously with East European countries or CEMA," (Vichorek-Tsoyl) writes (12).

Unfortunately, such a viewpoint is not supported in government circles of the major West European participants in Eureka, in which bourgeois parties of a conservative persuasion are in office. They are opposed to the inclusion of the socialist countries in this program on the basis of special interstate agreements, allowing of it only in individual cases and only at enterprise level.

This unconstructive position is depriving of the potential benefits from joint R&D not only East but also West Europe. Under the conditions of the sharp exacerbation of technological rivalry between West Europe and the two other centers of world capitalism such a position, which was shaped under the influence of transatlantic ideas of "Atlantic solidarity," can hardly be seen as farsighted.

In recent years the leaders of West European social democracy and the union of social democratic parties of EC countries have repeatedly advocated the development of economic and S&T relations between the EC and CEMA and also cooperation on an all-European basis. True, few specific proposals like that of H. (Vichorek-Tsoyl) have been advanced as yet. There is now a need for stimulation of the dialogue between communists and social democrats on these problems with the emphasis on a search for new, efficient forms of business exchange and cooperation. Obviously, it would be useful for both sides to discuss the state and prospects of East-West economic relations, particularly questions of international economic security.

III

The concepts in question testify to certain changes in the direction of realism in the policy of leading circles of West European social democracy and its aspiration to take the current situation into account. The relative isolation of social democratic theories from the doctrines of the main currents of bourgeois political economy (on problems of East-West economic relations included) is now intensifying. The views of left social democracy which are largely of an antimonopoly nature are comparatively widespread in the parties of the Socialist International.

At the same time this by no means signifies fundamental changes in the ideology of the social democratic movement. It confesses, as before, the ideas of reformism, the "social partnership" of labor and capital and a "third way" between capitalism and real socialism. Illusions concerning the evolutionary "transformation" of capitalism into a society of social justice and solidarity

("democratic socialism") and also elements of anticommunism inherent in social reformist ideology are engendering among certain circles of social democracy distorted, unrealistic ideas concerning the state, trends and reference points of the development of East-West economic relations.

A number of documents and scientific publications of social democracy advances the demand for a linkage between intersystem economic relations and precepts which not only have nothing in common with the joint use of the advantages of the international division of labor but are essentially aimed at infringing the legitimate prerogatives and interests of the socialist countries in the sphere of domestic and foreign policy. And, furthermore, such unwarranted demands are frequently the next-door neighbors of propositions and conclusions which are imbued with a spirit of realism.

Thus the Labor Party program on the one hand emphasizes that "it is necessary to maintain and develop economic relations with East Europe inasmuch as this constitutes a basic component of our policy of detente". On the other, this proposition is followed by: "...Nonetheless, a selective approach to our relations with East European states is necessary. Clearly, our relations with East European countries will depend to a large extent on their commitments in the field of human rights" (14).

As is known, the human rights problem, which is fraudulently interpreted by bourgeois propaganda, has been actively used since the mid-1970's by reactionary, militarist circles of imperialism, American primarily, for ideological sabotage against world socialism and for the purpose of undermining detente. These circles sometimes find in the concepts of social democracy elements which are fully in keeping with their own ideas concerning East-West relations.

The human rights problem is interpreted by social reformism here in the spirit of bourgeois theories of pluralism, that is, divorced from its class content and socioeconomic essence. Whence the deduction of the baseless idea concerning the inevitability of human rights violations where the principles of pluralism, that is, bourgeois-parliamentary democracy, do not operate. P. Glotz, a leader of the SPD, maintains: "Social democrats can have no doubt that the principles of central leadership of policy and the economy in the socialist states lead to an unacceptable violation of human rights" (15).

In reality the human rights problem has its roots by no means in the form of regulation (centralized or noncentralized) of social life but in the basis thereof—production relations—and the class structure of society determined by them. The separation of the worker from the means of production under capitalism not only deprives a person of assurances concerning his fundamental socioeconomic rights (to work, shelter and so forth) but also prevents him from being an active subject of political life and practically exercising his democratic rights, even if the latter have been proclaimed formally. On the other hand, public ownership of the means of production and the socialist power of the people create the prerequisites for the realization of basic socioeconomic rights and also an opportunity for active participation in the management of the affairs of the workforce, state and society.

As long as two social systems exist, fundamental differences in the interpretation of the human rights problem will persist. But ideological differences should not impede the constructive development of East-West interstate relations, the less so in the economic sphere. Any attempts to make such relations dependent on tendentious bourgeois views of human rights can only damage mutually profitable cooperation and the economic security of the peoples and make worse the already complex, explosive situation in the world.

Certain social democrats link the further development of intersystem economic relations with a gradual revision of the realities of international law which took shape in Europe as a result of WWII. Thus it is impossible to overlook the pronouncements of a prominent French socialist, J. (Unttsinger), concerning the expediency of the European continent's transition to some "real detente". On the one hand a condition of Europe guaranteeing it peace presupposes, he believes, East-West economic cooperation, for which "neither concessions nor an economic war are necessary." We have to agree. But on the other hand J. (Unttsinger) sees as a most important element of "real detente" a break with the decisions of the Crimea Conference of the leaders of the USSR, the United States and Great Britain in February 1945 in Yalta (16). Such views, which are a kind of echo of the bankrupt convergence theory, give rise to fundamental objections.

Bourgeois propaganda has long been giving a one-sided interpretation to the results of the Crimea Conference, putting the emphasis on the division of the world, primarily of the European continent, which was allegedly agreed on there, into spheres of influence of the great powers. This invention is manifestly contrary to the facts. As A. Harriman, former U.S. ambassador to the USSR, emphasized, "it does not ensue from the papers which have now all been made public that negotiations concerning some division of the world were conducted."

The attacks on the imaginary division of the world are designed directly or indirectly to question the legitimacy of the decisions adopted in Yalta concerning the policy of the allies in the anti-Hitler coalition in respect of vanquished Germany and the postwar borders in Europe. Influential reactionary imperialist circles, American particularly, have in recent years in this context been presenting the demand for a revision of Yalta and Potsdam. The proposition concerning the "Yalta mistake" of the United States and Great Britain, which has long been employed by revanchists campaigning for a revision of postwar borders in Europe, has been taken up and is being actively propagandized by Washington officials (17). It is being used by imperialism to further exacerbate international tension and spur the arms race in the interests of the military-industrial monopolies.

Of course, J. (Unttsinger) does not invest his recommendations for a "break with Yalta" with the same content as the American hawks or West German revanchists. In

speaking of assistance to "the social development of societies in East Europe" by means of economic cooperation with them he is evidently counting on the bourgeois "liberalization" and social democratization of the socialist countries and their gradual rapprochement with the West, which would lead to a "break with Yalta". In one way or another, all attempts to cast a shadow on the results of the Crimea Conference, by whatever subjective motivations they are dictated, are grist to the mill of the most reactionary imperialist circles.

The policy of revision of the results of WWII not only does not promise a transition to real detente incorporating an expansion of East-West economic cooperation but also entails the danger of the undermining of the Helsinki process based on the historic accomplishments recorded in the Yalta and Potsdam documents. The actual surmounting of the division of Europe is possible not via a break with the Yalta decisions but by way of the implementation of the constructive proposals of the socialist states. These are nuclear disarmament and a reduction in conventional arms, realization in full of the Helsinki Final Act and the development of large-scale mutually profitable economic cooperation on a bilateral and all-European basis given respect for the legitimate interests, sovereignty and distinctiveness of the sociopolitical systems of all countries of the continent.

Social democracy as a whole evaluates East-West economic relations as mutually profitable. Unfortunately, material sometimes penetrates the social democratic press which in fact calls in question this objective evaluation. For example, the proposition invented by bourgeois propaganda that Soviet defense industry cannot develop successfully without "technology injections" from the West and that for this reason, in trading with the latter, the USSR derives particular benefits and one-sided advantages is played up quite frequently.

However, any competent expert in the West knows very well that the advanced level of Soviet rocketry-space and nuclear technology and conventional types of arms has been brought about by major national achievements in the sphere of science and technology. Those, however, who are spreading fabrications concerning the Soviet Union's use of Western technology in the military sphere are incapable of supporting their pronouncements with any in any way convincing arguments.

Arguing in this spirit, P. (Lyuif) (OSP) himself virtually acknowledges the baselessness of his assumptions and inventions concerning the "significant benefits" nurturing Soviet defense industry. He is forced to admit that the information on this score tossed up by the United States "should be received with caution, after all, it comes from the secret services and is not directly verifiable." The arguments of certain social democratic theorists concerning the influence of technology exchange on the military aspects of relations between states of the two systems, which are built on sand, sometimes perform a

service for the reactionary imperialist circles which are urging a winding down of economic relations with the East, falsely interpreting these relations as a factor harmful to the West's security.

The social democrats as a whole have welcomed with approval the reorganization of the mechanism of the USSR's foreign economic activity, but do not always adequately interpret the meaning of the changes in this sphere. Specifically, the statement by B. Mueller-Blattau and A. Schwarz (SPD) that only now is "cooperation with the capitalist 'class enemy' and Western firms no longer taboo" (18) for the USSR is puzzling. After all, it is well known that back in the 1970's, in the detente period, our country was advocating the development of new forms of economic relations with the West, including production cooperation with Western companies.

It is also necessary to draw attention to the fact that the positive pronouncements of the ideologists and politicians of social democracy in support of an expansion of East-West economic relations, the development of new forms of cooperation and a reduction by capitalist countries in discriminatory protectionist barriers are not always backed up by practical deeds. The publications of certain social democratic parties say that it would be mutually useful were the EC to afford the socialist states "the same access to markets as other countries". However, none of the said parties nor the union of social democratic parties of the Community countries have even attempted to take any practical steps in this direction.

Social democracy has far from taken advantage as yet of all the possibilities within individual countries and on the international scene for countering the destructive policy of the United States pursued via the CoCom and other channels. In addition, the ruling socialist and social democratic parties have adopted in the 1980's (not on their own initiative, it is true, but under pressure from Washington) restrictive measures, particularly in the sphere of credit, when there has been a sharp upward spiraling of interest rates and a weakening of official guarantees. Unfortunately, nor have the social democrats of neutral countries (aside merely from Finland, perhaps) remained aloof from various restrictions. In 1985 the Austrian Government, headed by socialists, adopted an amendment to the foreign trade act which, as the theoretical journal of the OSP acknowledges, "corresponds to the wishes of the Americans to a considerable extent" (19).

The differences between word and deed in respect of certain aspects of East-West economic relations characteristic of social democracy are not fortuitous. The notions of social reformism concerning the United States as the guarantor of "Western civilization," which they in fact identify with capitalism, are preventing the parties of the Socialist International from dissociating themselves fully from the obstructionist policy of American imperialism.

Thus in respect of many questions of the development of economic relations between states of the two systems the West European social democrats adhere to realistic views contiguous with communists' position. This is creating propitious prerequisites for the joint or parallel actions of the two main detachments of the workers movement aimed at an easing of tension in the world, a return to detente and its materialization and consolidation of the foundations of the peaceful coexistence of states with different social systems. At the same time the concepts of social democracy on this set of problems are quite contradictory, and constructive approaches are far from always embodied in practical deeds, what is more.

"There is no doubt," the CPSU Central Committee Political Report to the 27th party congress says, "that the ideological disagreements between the communists and social democrats are profound and that experience and achievements are dissimilar and nonequivalent. However, an impartial familiarization with one another's positions and views is undoubtedly useful for both the communists and the social democrats. Useful primarily for stimulation of the struggle for peace and international security." The mutual efforts of the communists and social democrats aimed at the expansion, intensification and enrichment of forms of mutually profitable East-West economic cooperation can and should perform a substantial role in this struggle.

Footnotes

1. "Service der SPD fuer Presse, Funk, TV. Uebersicht ueber die Beschluesse des Parteitages in Nuernberg," part 4, 1986, p 5.
2. *Die neue Gesellschaft/Frankfurter Hefte* No 1, 1986, p 36.
3. See *Memo* No 5, 1984, p 151; *Ekonomicheskije nauki* No 7, 1986, pp 93-94.
4. "Labour's Program 1982," London and Welshpool, 1982, p 244.
5. See *Die neue Gesellschaft* No 5, 1982, p 445.
6. *Die neue Gesellschaft* No 10, 1982, p 965.
7. See *Die Zukunft* No 9, 1982, p 9.
8. *Wirtschaftswoche*, 22 February 1980, p 41.
9. *Die neue Gesellschaft* No 10, 1983, p 970.
10. *Socialist Affairs* No 3, 1986, p 21.
11. "Die Wirtschaft oekologisch und sozial erneuern," Bonn, 1986, pp 9-10.
12. *Die neue Gesellschaft/Frankfurter Hefte* No 1, 1986, p 60.

13. See *Memo* No 6, 1981, pp 31-44; No 3, 1984, pp 134-142; No 6, 1986, pp 16-30.
14. "Labour's Program 1982," p 244.
15. *Die neue Gesellschaft/Frankfurter Hefte* No 1, 1986, p 39.
16. See *Nouvelle revue socialiste*, April-May 1983, p 11.
17. See *Memo* No 4, 1985, pp 50-52.
18. *Vorwaerts*, 3 January 1987, p 36.
19. *Die Zukunft* No 12, 1985, p 19.

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"Mirovaya ekonomika i mezhdunarodnyye

European Community as Factor of East-West Relations [V. Kremen'yuk]

18160002i Moscow MIROVAYA EKONOMIKA I
MEZHDUNARODNYYE OTNOSHENIYA in Russian
No 10, Oct 87 (signed to press 15 Sep 87) pp 142-143

[V. Kremen'yuk review: "West Europe: Integration in the Foreign Policy Sphere"]

[Text] Integration processes which have been developing for more than three decades, the author of the monograph in question* writes, "have become a characteristic feature of the economic and political situation in the West European region" (p 4). Let us say right away that Soviet authors have not always written about this phenomenon with such directness and certainty. There have been attempts to cast doubt on the latter and regard it as a tribute to fashion or economic conditions. Historical science now not only acknowledges the reality of these processes but is attempting to recognize their every conceivable consequence both for the continent as a whole and for the more extensive system of international relations.

V. Baranovskiy set himself a serious task: studying the place and role of an integrated West Europe in the vast, interconnected and interdependent system of international relations. What changes have occurred therein in connection with the fact that the region in question is developing increasingly intensively not only as an aggregate of mid-level states in terms of size and political authority and a kind of economic and political "make-weight" of the NATO structure but also as some substantial value called the European Community?

The author begins with an analysis of the problem of foreign policy integration. The question is extraordinarily important since until recently scholars have paid the main attention to the economic aspects of the integration processes, whereas superstructural phenomena have either been called in question or have given rise to skepticism. The scholar shows how the coordination of foreign policy problems tEuropean Community

was conceived, how the prerequisites of the coordination of the foreign policy course of West European states emerged and strengthened and how, finally, a whole system of bodies and procedures making it possible to speak of the existence of a definite trend toward integration in the sphere of the European Community's relations with the outside world was created.

The facility and harmoniousness of this process are not exaggerated here. The latter, as the work observes, "has far from always moved in line of ascent; it has had its rises and falls, crises and periods of stagnation. Integration trends may be manifested in some spheres of social life and completely fail to affect others; they may develop in parallel all at once in several spheres, but at a varying pace and with entirely dissimilar results" (p 11).

This balanced approach is also extended by the scholar to the integration processes in the sphere of foreign policy and their at times "impulsive" nature brought about by the certain difference of national interests and platforms of the ruling parties and the not always identical attitude toward East-West problems and so forth. "Nonetheless," the conclusion follows, "as a whole, the impact of the process of economic integration on political mutual relations between participants in the Community is connected to a far greater extent with the increase in centripetal trends in their foreign policy behavior" (p 19).

The author endeavors here also to explain that he does not see an unconditional cause-and-effect connection between the development of the integration process in the economy and political relations. The dynamics of the interaction of the one and the other are complex. Both direct and inverse relations may be manifested here. But, nonetheless, integration processes in West Europe, which have been most fully developed in the economic sphere, have also penetrated the political sphere, the foreign policy field particularly. And consequently there is every reason to regard the interaction of this region and the surrounding world not only as an aggregate of bilateral relations of the West European countries (although each of them undoubtedly has its own relations with the surrounding world) but also as a process of the interaction of a whole in the making with other countries and continents. The Helsinki process, which has brought about a considerably greater "European" self-awareness in many West European countries, which had hitherto seen themselves through the prism of "Atlantism," has also, evidently, contributed to this to a certain extent.

Two chapters of the study are specially devoted to an analysis of the mechanisms of the coordination and concordance of foreign policy in the European Community and the forms in which the coordination and concordance are manifested. This material is interesting not only in a reference-cognitive respect, although it is useful both for the specialist and the broad readership to know how far the process of the elaboration of concerted foreign policy decisions in the Community has already

gone. Considerably greater significance is attached to the material of these two chapters for an understanding of the realities of integration. After all, the "community" of interests, "unity" of views and so forth may be discussed to one's heart's content, but until this community and unity have been "set" on a firm legal and institutional base talk remains talk, and wishes, wishes.

Having comprehensively investigated the particular features of the integration processes in the foreign policy sphere, the author acquires all the grounds for the specific conclusion: "The instruments created in the EC of 'outlet' onto the international scene form a specific mechanism of interaction of the integration association with the outside world" (p 164). Integration trends in the foreign policy relations of the European Community with other developed capitalist countries, primarily the United States, and with the developing countries and also in the context of the mutual relations of the two world systems are analyzed by turn in the book. And this is perfectly logical: undoubtedly, different tasks are being tackled by the Community in each direction, and a different content and principles are predominant in each of the spheres of relations distinguished.

The main thing in the system of interimperialist relations is intensifying competition owing to the unevenness of the development of both the three centers of capitalism and individual West European countries. This confronts the Community with certain problems, and it is trying as far as possible to use the integration mechanism to strengthen its positions in the capitalist world and to resist the other economic giants, particularly the United States. The author emphasizes particularly also the existence of certain contradictions within the framework of NATO, in which the EC plays the specific part of coordinator of West European interests, and elements of a certain rivalry even. "The main contradiction here," we read, "is connected with the fact that the North Atlantic alliance is designed to express the interests of the two imperialist power centers, whereas the EC has become the political and economic nucleus of one of them—the West European" (p 212).

V. Baranovskiy believes that it is in relations with the developing countries that the Community "is most often portrayed in the system of international relations as a certain integral formation pursuing (or attempting to pursue) its 'particular' line in respect of external contracting parties" (p 231). An interesting thought, but contentious, nonetheless. After all, the coordination of the foreign policy line of the Community countries most often plays the part of defense of the interests of its individual participants, and for this reason it is most manifest in the EC's relations with economically strong "contracting parties". In addition, it is in relations with the young independent states that centrifugal force in the Community operates the most actively as a consequence of competition between individual members thereof on account of markets. The monograph calls attention,

however, to other aspects of the phenomenon, specifically, the attempts, which are undoubtedly occurring, to do business with the developing countries on a bloc basis (the Lome conventions). Obviously, the true state of affairs in this sphere is considerably more complex than can be expressed by one or two formulas.

To sum up: as a whole, the work is interesting and fresh, and an attempt has been made to considerably advance our level of knowledge and understanding of integration processes. The author concludes correctly that the "stimulation of the international-political activity of the integration association embodies a most important aspect of the formation of the West European center of capitalism" (p 318). Particularly interesting are his conclusions concerning the role of the EC as an international-political factor in the process of interaction of the two systems in the world arena. The book will undoubtedly be greeted with interest by both specialists and a broader readership.

Footnote

* V.G. Baranovskiy, "Yevropeyskoye soobshchestvo v sisteme mezhdunarodnykh otnosheniy" [The European Community in the System of International Relations]. Doctor of Historical Sciences V.I. Gantman, executive editor. Moscow, "Nauka", 1986, 320pp.

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Protest Stirrings in FRG Professional Class
18160002j Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian
No 10, Oct 87 (signed to press 15 Sep 87) pp 151-153

[A. Trukhagin review: "Intellect Against Reaction and Militarism"]

[Text] The succession of socioeconomic crises which have gripped the capitalist world in the last 10-15 years has brought about abrupt changes in the structure of bourgeois society and, specifically, the position and political behavior of the vast stratum of the professional classes.

In the book in question,* "The FRG Professional Classes in the Arena of Political and Social Conflicts," the GDR sociologist H. Haupt, studying this problem in the example of West Germany, defines the category which interests her as a particular social stratum situated between the working class and the bourgeoisie and employed predominantly in mental labor thanks to the high level of general or specialized education which it has received (p 28). The number of people with higher education in the FRG is increasing constantly, and whereas, for example, 11.4 percent of employed persons had such in 1970, some 17.2 percent had such in 1982 (ibid.).

With the exception of a very small apical elite favored with special privileges from the ruling class and in fact a part thereof, almost the bulk of the professional class works for wages and is exploited. As a rule, those graduating from higher educational institutions become office workers and government officials. It is these professional groups which are swelling rapidly. From 1970 through 1983 their share of the total number of employed persons rose from 35.1 percent to 47.3 percent, whereas that of workers declined from 47.4 to 39.8 percent, and that of "independents" (various categories of entrepreneurs), from 17.6 to 12.9 percent (p 39).

The position of those whom bourgeois statistics attribute to "office workers" and "government officials" materially and morally varies—from well-to-do and prosperous through those in dire need and the proletarianized. As a whole, however, the "middle strata," which are saturated with professionals, have been to a particularly great extent affected by the painful processes in the economy and the main, most severe consequence thereof—unemployment.

As the author observes, up to the middle, and for some professional groups, right up to the end of the 1970's these processes were developing relatively evenly, which enabled specialists with an enhanced level of education and skills to adapt relatively successfully to the caprices of the demand for their labor and, as a rule, find employment precisely thanks to their high special skills or knowhow. But a sharp acceleration of the said trend occurred on the frontier of the 1980's in the soil of downturns in economic conditions which had become a chronic tendency. It persisted even under the conditions of the subsequent upturn in conditions. The result has been the mass ejection of professionals, in the literal sense of the word, onto the street.

True, this process, in turn, has not been distinguished by evenness. But it has in principle affected all the main categories of persons of mental labor. Even among engineers, demand for whom is relatively great, unemployment had almost doubled by the mid-1970's compared with the middle of the previous decade. It had tripled among journalists and figures of the arts and increased fivefold among doctors and pharmacists. As far as people working in various spheres of the social services are concerned, growth here has constituted 800 percent, and for teachers, more than 1,000 percent even (p 57).

Whereas back in 1980 there were per engineer's position only 0.7 applicants (and, consequently, excess demand for engineering trades), in 1983 the ratio was 1:5.6. Supply exceeded demand even more for chemists—1:11.7—physicists—1:19.1—mathematicians—1:23.3—and biologists—1:33.8. But it became truly catastrophic for people working in the ideological sphere: for teachers, 1:120.1, for political scientists, 1:909 (p 59). We would add that the forecasts for the future not only do not promise the removal but even an alleviation of the disaster. On the contrary, it is expected that the glaring disproportions will persist and intensify even.

The exacerbation of crisis trends is being reflected currently in many detachments of the professional class frequently more severely than in other strata of the population. It is essential, in addition, to consider that persons of intellectual professions are not in a position, as a rule, to resort to the same extent to the protection of unions as workers. Whence the inevitability of the growth in the professional class, traced in detail by the author, of unhappiness with the existing system and turbulent, albeit not always clear-cut, anticapitalist sentiments. The scholar does not close her eyes to the insufficient maturity of the consciousness of mass detachments of persons of mental labor and their inherent class and other prejudices and fallacious psychological cliches, including firm anticommunist superstitions. But at the same time she notes the advantage among them of greater education and closer and more systematic introduction to ideological life, which frequently enables representatives of the professional class to better grasp the subtleties of the political struggle and break through to an understanding of the community of interests with the working people, primarily with the working class and its organizations (pp 99-101).

It is these features of the present-day West German professional class, which are illustrated in diverse manner by the author, which have made it the principal exponent and crux of the new social movements which have developed in the country. The degree of their opposition stance and antimonopoly focus and the scale and efficiency of their actions also are highly diverse. The charge of lack of inspiration, apoliticism, local narrowness and conservatism at times even is legitimate in respect of, let us say, many civil initiatives. A number of the "alternative" projects are knowingly utopian. The fundamental technophobia of many ecologists and Greens is destructive both from the viewpoint of socioeconomic reforms in the interests of the people and politically for the formation of a broad antimonopoly coalition. The radicalism of various group—youth, feminist or marginal—subcultures is erecting barriers to the introduction to the new democratic movements of the basic masses of the population, including workers and employees. At the same time, however, a struggle which is consistently democratic and antimonopoly in content is developing relatively rapidly within the framework of the said movements.

Another notable feature thereof, also obliged for its appearance to a large extent to the intellectual strata, is the rapprochement with the workers movement. Indicative in this respect is the increasing support by the "alternatives," ecologists and Greens for the demands for the introduction of a 35-hour week, the abandonment of the cutback in social spending being practiced by the CDU/CSU and the implementation of measures capable of really enhancing the quality of life.

Despite the antipathy toward "big organizations" inherent in the said social stratum and difficult to overcome within it, its participation in the trade union movement is growing—the formation of its own unions or association with

existing ones (pp 133-135). The author assesses positively the instances of the association of various professional groups with the country's leading trade union coalition—the German Trade Union Federation (DGB).

True, it is emphasized here that shop organizations (of the Journalists Union or Medical Workers Union type) are an obstacle in the way of the extensive enlistment of the professional classes in the union movement. We would note in this connection that it is hardly worth making an absolute, as the book does, of the conservative nature of such associations. It obviously has to be considered that the rapid process of politicization of the professional classes and their enlistment in active social struggle are capable of making an impression on the activity of the old, traditional unions also. For example, medical workers, lawyers and even qualified engineers, who still gravitate toward the shop type of organization, have in recent years frequently been setting examples of persistent and purposeful action in defense of the interests of the masses against the encroachments of capital and the machinery of power which serves it. This has been manifested with objective clarity in the antiwar movement, which has achieved upward flights unprecedented in the country's history largely thanks precisely to the professionals, of a humanities profile in particular (pp 144-189).

Of course, figures of science and culture have participated in the peace supporters movement since the first postwar years. Everyone remembers, say, the appeal against atomic weapons and the armament of the Bundeswehr therewith made by FRG physicists in 1957. However, under current conditions the participation of the professional classes in antiwar actions has acquired a qualitatively new feature, also carefully traced by H. Haupt. Whereas in the past it was usually a question of individual outstanding personalities, today, as the author rightly observes, it is a question of masses of people of mental labor who enjoy authority in broad strata of the population and who are in a number of cases influencing the system of political institutions as far as parliamentary and government circles (pp 150-154). According to the author's observations, the professionals have a great role in determination of the slogans and specific reference points of the antiwar movement. Overcoming the impasses of the notorious "equal responsibility" theory and ridding themselves of the "Soviet threat" myth, they have made the cornerstone such tasks as nonadmittance to FRG territory of new American nuclear missiles and the removal of those already deployed there; renunciation of any form of participation in the program for the preparation of "star wars," whether in the American or "European" version; a reduction in the military budget; the creation of zones free of nuclear and chemical weapons; prevention of a buildup of conventional arms; the renunciation or, at least, revision of NATO doctrines pointing in the direction of "limited" wars in Europe.

While describing in detail the peace initiatives of the FRG's antiwar organizations formed along professional lines H. Haupt does not, unfortunately, touch on a

number of complex problems directly related to the prospects of their activity. One such is the unevenness of the movement of various strata of the professional classes into the arena of the antimilitarist struggle. Whereas medical workers, naturalists and teachers have given a good account of themselves therein as a vanguard force, journalists have taken only initial and relatively timid steps. Besides the difficulties in the system of social and professional relations and also in the organizational structures, which do not always correspond to the requirements of antiwar actions, measures of the ruling class, which has been able to take under its wing by means of strict control or, on the other hand, flexible tutelage and "tender treatment" the groups of the professional classes directly involved in the formulation of ideological standards and their introduction to the social consciousness, have evidently been reflected here. It is for this reason, obviously, that the ruling upper stratum has been able to deprive the antimilitarist community (and this means two-thirds of the FRG population) of a practical outlet to the "big press," radio and television.

It is to be hoped that the author will continue the study of her extraordinarily extensive and dynamically developing subject. But the results which have already been achieved permit a high evaluation of her work.

Footnote

* Hanna Haupt, "Die Intelligenz der BRD im Spannungsfeld politischer und sozialer Auseinandersetzungen," Berlin, Dietz Verlag, 1986, 192pp.

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Ideological Soundness of Marxism-Leninism Today Upheld

18160002k Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 10, Oct 87 (signed to press 15 Sep 87) p 153

[Text] For the 70th anniversary of October an international group of Marxist scholars from Bulgaria, Vietnam, the GDR, Greece, Cuba, Mongolia, the USSR and the CSSR has prepared a book the significance of whose subject it is hard to overestimate: "The Growing Role of Marxism-Leninism and the Ideological Struggle" (Moscow, Politizdat, 1987, 288pp). The basic purpose of the work is analyzing the leading trends of the ideological struggle in the modern world. Defining ideology as "a class-conditioned system of ideas reflecting social reality and defending certain principles" (p 11), the authors examine detail, in particular, bourgeois and opportunist "criticism" of Marxism-Leninism. A most important school thereof is denial of the scientific nature of the ideology of the working class, which is presented by "critics" as a utopia or religion even. Their favorite

argument, perhaps, is counterposing any ideology to science based on the following dubious principle: "ideology and truth are incompatible; there are as many ideological truths as there are classes". The book observes that this concept was formulated back in the 1920's by the German sociologist K. Mannheim and subsequently actively championed by representatives of the Frankfurt school (Horkheimer, Habermas, Adorno), clerical ideologists, supporters of the de-ideologization theory and others.

In their attempts to discredit Marxism its opponents speculate on the fact that the founders of scientific communism employed the concept of ideology, as a rule, with reference to bourgeois consciousness, considering the latter fallacious and counterposed to scientific truth and the interests of social progress. In employing the term "scientific theory" instead of the term "ideology" K. Marx and F. Engels explained that they deduced "the development of ideological reflections" from "the actual process of life". It was on this basis that V.I. Lenin introduced the concept of scientific ideology defining Marxism-Leninism as a system of ideas and views objectively reflecting reality and expressing the interests of the working class. "The attempts of bourgeois ideologists to prove that the founders of Marxism were opposed to the scientific ideology they themselves had created are at least groundless," the work emphasizes (p 15).

The book in question examines in detail the most acute problems in respect of which the ideological struggle is developing today: the world-historical mission of the working class; the role of Marxism-Leninism in the cohesion of the international communist movement; its influence on the struggle of the peoples of the emergent countries; the interconnection of S&T and social progress. The authors analyze the experience of struggle against rightwing revisionism and also reveal the ideological-political essence of modern leftism. Problems of war and peace and peaceful coexistence are seen as an object of ideological confrontation.

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Pacific Economic Community Has Political Connections

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[Text] Several years ago the American magazine *Newsweek* affirmed that European scholars and politicians were giving thought increasingly to the compilation of a map of the world in a projection whereby "the vast Pacific would be the central location, and Europe would have shrunk to a small offshoot far from the center on the expanse of the Asian continent". It cannot be denied

that much is being written and said currently about the Pacific region, although even the boundaries of the latter are as yet determined highly conditionally. Opinions may be encountered increasingly often in literature, scientific literature included, to the effect that the Pacific will be the place to which in the future the center of the world economy will move. In addition, specialists are actively studying the question of the creation there of a kind of integrated grouping.

Nor are Soviet scholars remaining aloof from this question, confirmation of which is, specifically, the book "A 'Pacific Community': Plans and Prospects" (editorial board: I.I. Kovalenko [executive editor], I.D. Ivanov, V.N. Khlynov; Moscow, Glavnaya redaktsiya vostochnoy literatury izdatelstva "Nauka", 1987, 351pp). The work examines the prerequisites of multilateral economic and political cooperation in the Pacific and the attitude and plans of individual countries and groups of states in respect of "Pacific integration". The said problem is analyzed in the context of the competition of the two systems and the confrontation of the forces of militarism with the peaceable forces of the region in question. The point of departure of the authors' research concept is the historicism of the development of individual regions of the planet and determination of the pace of the dynamics of this development by the specific conditions of this era of human civilization or the other and change in the predominant social structures therein. Whence the possibility and regularity even of a change in the positions and role of individual regions.

The main point in their understanding of the problem is the growth of the interdependence and the opportunities for the broadest economic and political cooperation of states of the Pacific. At the same time the book emphasizes that the potential of this cooperation may be realized only on the paths of a restructuring of international economic relations on an equal, democratic basis and that the idea of a "Pacific community" can in no way be divorced from the political aspects of the processes occurring in the region in question.

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'MEMO' No 10, 1987 Reviewed

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21 Oct 87 pp 1-4

[Text] The journal opens with an article "Soviet Concept of Peace in the Light of Historical Experience of Great October" by N. Kapchenko.

The seventy years of the Soviet foreign policy have provided immense material and at the same time a mighty impulse for deep thoughts about the social content and significance of the international activity of the

world's first socialist state and its impact both on the course of historical development as a whole and on the world developments at each specific period of time, an impact which is unique in scale and consequences.

This policy is based on the fundamental ideas of the founders of Marxism-Leninism. In a summarized form, it is possible to highlight the following ideas:

attitude to foreign policy as a reflection of the interests of the class dominating in society;

proclamation of ruling out any manifestations of pressure, diktat and arbitrariness from state-to-state relations as an aim of the foreign policy of the victorious proletariat;

emphasis on the need to put an end to blood-stained conflicts unleashed by the exploiter classes to attain their selfish aims; resolute and consistent struggle against militarism;

substantiation of the idea of the full and unconditional equality of all countries and peoples, and combatting any type of national oppression.

Lenin's Decree on Peace—the first legislative act of the workers' and peasants' state—opened up a new period in the history of international relations of our time.

Emphasizing the continuity of the home and foreign policy of the CPSU and the Soviet state, the Party Central Committee noted in its Address to the Soviet People on the occasion of the 70th anniversary of the Great October Socialist Revolution: "The Great October Revolution continues in our deeds today. Reorganization, creative work which is revolutionary in its essence, is now gaining momentum in the USSR. It is aimed at accelerating progress of socialist society. The Party's political line that expresses the will of the nation—the line of the April Plenum of the Central Committee and of the 27th Congress of the CPSU—is directed at it".

The strategy of renovation is a many-sided socio-political and societal phenomenon which concerns all aspects of the USSR's life, including foreign policy.

That is why it is logical that the policy of acceleration has coincided with the growth in dynamism and thrust of the USSR's foreign policy in all main areas, the consistent efforts to curb the arms race and prevent a global catastrophe being the key direction.

I. Ossadchaya writes in her article "*Capitalist Countries' Change of Regulation Strategy*" that throughout the 1980s tangible changes have been taking place in the mechanism and strategy of the state-monopoly regulation of the economy in industrialized capitalist countries. It has been a process of working out a new system

of ties between state and monopoly capital and between regulation and competition. The goals and priorities of the economic policy have changed.

The structure of state-monopoly capital, complete with the state sector that developed between the 1950s and the 1970s and that spread to many industries of material production is being refashioned mostly on the conservative principles of state's interference in the economy.

The striving of the ruling circles to take social revenge is the class content of this conservative restructuring effort. Cuts in social spending under the slogan of the need to take "austerity measures" are coupled with the rationalization of relations between the state and capitalist enterprises, improving the efficiency of state regulation and lowering its costs, and reducing direct forms of intervention and bureaucratic administration. The conservative principles of economic regulation set competition, market and private monopoly elements of planning as priorities. With a view to accelerating the rates of introducing the new attitudes and in the interest of capitalist accumulation, the state encourages and develops market relations.

In his article "*Balance of Economy and Policy in International Relations*" E. Pozdnyakov writes that the balance between economics and politics is the most crucial and, perhaps, most complicated theoretical issue in the studies of international relations. It combines many other theoretical issues and upon its resolution depends a resolution of other minor points. It acquires a special meaning in our time rich in events, the time of growing interdependence between states in the framework of all forms of relations, including political, economic, military-political, etc.

Economics is not just the management of a variety of commodity sectors, the author writes. Economics implies a particular relationship between people in society; and this relationship always suggests vested interests; vested interests translate into policy. Any social interests of states, including economic interests, can only be ensured through human activity meaning through policy.

Undoubtedly, production relations in economy ultimately determine policy. But there is no direct impact, so this fundamental Marxist precept shall not be misinterpreted. First, the word "ultimately" suggests a whole historical epoch during which politics bears a continuous impact on economics, even if policy-making is wrong. Discrepancies, contradictions and "gaps" between politics and economics that crop up due to such impact are not straightened out on their own but rather through policy, that is through changes, corrections and renewal of that policy.

Second, the ultimate impact of economics on politics and on changes in policy is rendered indirectly due to economic crises and recessionary tendencies which prompt people to look for means to remedy the situation

and in so doing introduce certain corrections in their political activity. By contrast, politics renders a direct (positive or negative) impact on economics in an attempt to bring economic decisions in line with the interests of particular social groups as they are understood by them at a relevant time. The priority role of politics is manifest with regard to economic cooperation (both inside a country and in international relations).

The issue includes "Neoclassical Theory of Production and Distribution" by Yu. Kochevkin, "Genesis of Monetary Form: Certain Issues for Debate" by A. Chepurensky, etc.

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Articles in MEMO Not Translated

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[Text] Change of Regulation Strategy in Capitalist Economies (pp 13-27) (I. Osadchaya)

Neoclassical Theory of Production and Distribution (pp 42-55) (Yu. Kochevkin)

Genesis of the Monetary Form—Certain Arguable Issues (pp 56-60) (A. Chepurensky)

The Rockefellers: End of a Dynasty? (pp 84-92) (Carol G. Loomis)

State, Problems and Prospects of the Antiwar Movement in the United States (Discussion With a Spokesman for the SANE Organization) (pp 101-102) (O. Kuchkin, S. Morgachev)

Current State of World Capitalist Economy (pp 128-136, including Oil, the Dollar and the Marketplace [pp 128-129] [V. Kuznetsov], S&T Progress and Structural Rebuilding [pp 129-130] [Yu. Kurenkov], Japan's Position in the World Capitalist Economy: Trends and Prospects [pp 130-131] [V. Zaytsev], The Energy Situation in the Capitalist World [pp 131-132] [F. Bromberg], Crisis in the Fuel and Raw Material Complex [p 132] [I. Kazakov], Situation on the Oil Market [p 133] [N. Baykov], Search for New Approaches to Settlement of the Debt Problem [pp 133-134], [N. Markov], Changes in

the Position of the Developing Countries in the International Division of Labor [pp 134-135] [Yu. Levin], and The Capitalist Economy in 1986-1987 [pp 135-136] [I. Korolev])

Conference Devoted to the 70th Anniversary of the Great October (pp 137-139) (V. Laptev)

On the Question of Reform of the Tax System in Japan (pp 140-141) (T. Abe)

Organization of the World Community—Restructuring Is Essential (pp 144-145) (T. Alekseyeva)

Comprehensive Study of Reproduction of Fixed Capital (pp 146-148) (M. Sazhina, I. Shurgalina)

Trade and Economic Situation in the West (pp 148-150) (Yu. Savinov)

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